British Rail: Destination uncertain Page 9

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NEWSPAPER of THE YEAR

FINANCIAL TIMES

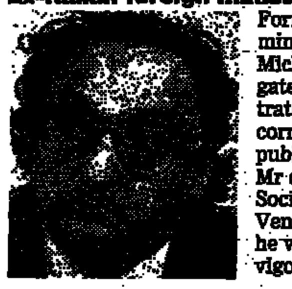
Wednesday July 15 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Mitterrand says EC in balance over Maastricht

A French vote against the Maastricht Treaty in the country's September 20 referendum would break up the European Community, President François Mitterrand warned. Page 16; Europe bares its claws, Page 15

Future of BR: UK government plans for the future of British Rail involve splitting it in two, with one part owning the tracks and the other running the trains. Freight services will then be sold, but passenger services will be contracted out. Page 9; Editorial Comment, Page 14; Lex, Page 16

Ex-Italian foreign minister faces probe



Former Italian foreign minister Gianni de Michelis is to be investigated by Venice magistrates over alleged corruption involving public works contracts. Mr de Michelis, leading Socialist figure in the Veneto region, said he would defend himself vigorously. Page 16

Belgrade's PM: The federal parliament in Belgrade installed American millionaire Milan Panic as the first prime minister of the new Yugoslavia, comprising Serbia and Montenegro. Page 3

More tests for Pope: A "tranquil and serene" Pope John Paul, 72, underwent a second day of hospital tests in Rome for an intestinal disorder. The Vatican would not comment on reports that he has a tumour in the colon. Picture, Page 2

Botha to offer new policy: South African foreign minister Pik Botha is expected to announce measures designed to break the stalemate in constitutional talks when he addresses the United Nations security council tonight. Page 8; Editorial Comment, Page 14

Broking earnings fall: First signs of a slowdown in business on Wall Street appeared when two of the biggest broking houses, Merrill Lynch and Paine Webber, reported second-quarter earnings below record levels achieved in the first three months of the year. Page 17

Perot campaign falters: Democrats and Republicans are speculating that Ross Perot will not launch his independent run for the US presidency, amid signs of disarray in the Texan billionaire's camp. Page 18

Politician's escape: Greek finance minister Ioannis Paleokrassas and his family escaped unhurt when a rocket was fired at their car in central Athens, but a passer-by was killed. Leftwing terrorist group November 17 is thought to be responsible.

New chief for BA: Lord King handed over command of British Airways to his deputy, Sir Colin Marshall, after 11 years as head of the airline. Page 17

Buyers' market for aircraft: A world glut of passenger aircraft is sending aircraft prices diving and threatening expansion plans of aircraft makers, airlines and aircraft leasing companies. Page 7

Alcan's losses deepen: Excess supplies squeezed Montreal-based aluminium producer Alcan's margins and contributed to a second quarter loss of US$27m, compared with US$5m a year earlier. Page 20

Hunt for PVC cartel: The European Commission is investigating an alleged cartel in the European PVC industry, less than four years after fining 14 plastics manufacturers for price-fixing in the same market. Page 2

UK institutions seek rights: UK institutional investors have asked European stock exchanges to lift rules which limit shareholders' ability to obtain information about companies and influence management. Page 17

Honeywell raises income: Honeywell, US controls systems company, reported a 10 per cent increase in second quarter net income, to $85.1m, due largely to gains from settlements in a long-running dispute over camera technology. Page 19

Army families die: Nineteen people were killed when an aircraft carrying the families of Russian soldiers crashed and caught fire after take-off from Nakhichevan in Azerbaijan.

Roubles rumbled: Lucerne police arrested a Russian man who used practically valueless one-rouble coins in ticket machines instead of five-franc pieces worth R500 ($3.75) at the official rate. The change came out in hard currency.

STOCK MARKET INDICES

FT-SE 100:	2,484.8	(+5.7)
Yield	4.92	
FT-SE Eurotrack 100	1,124.22	(+2.59)
FT-A All-Share	1,188.23	(+0.1%)
Nikkei	17,064.63	(−137.1)
New York lunchtime		
Dow Jones Ind Ave	3,334.88	(−2.43)
S&P Composite	415.3	(+0.43)

US LUNCHTIME RATES

Federal Funds:	3 1/2%
3-mo Treas Bills: Yld	3.271%
Long Bond	103 7/32
Yield	7.678%

LONDON MONEY

3-mo Interbank	10 1/2%	(10 1/2%)
Liffe long gilt future:	Sep 99 1/4	(Sep 98 3/32)

NORTH SEA OIL (Argus)

Brent 15-day N/A	$	(20)

Gold

New York Comex Jul	$351.1	(349.1)
London	$358.55	(348.7)

STERLING

New York lunchtime:		
$	1.917	
London:		
$	1.913	(1.9295)
DM	2.85	(2.8525)
FFr	9.6175	(9.6275)
SFr	2.5775	(Same)
Y	288.25	(241)
£ Index	92.2	(92.5)

DOLLAR

New York lunchtime:		
DM	1.488	
FFr	5.0175	
SFr	1.3444	
Y	125.65	
London:		
DM	1.48	(1.478)
FFr	5.0275	(4.99)
SFr	1.347	(1.3355)
Y	125	(124.95)
$ Index	68.3	(60.2)
Tokyo close Y 124.95		

German rate policy backed by OECD

By Christopher Parkes in Bonn

GERMANY'S hardline interest rate policy has won unconditional backing from the Organisation for Economic Co-operation and Development.

The Bundesbank should keep rates high for as long as necessary to bring inflation down to the target of 2 per cent or less, the Paris-based institution says in its latest economic survey.

There is no need for action to counter recent rapid expansion of German money supply, the OECD adds.

The report, released conveniently to feature in the media the day before the independent central bank's council is due to review its monetary targets, will further demoralise European Community members lobbying for German interest rate cuts to help them out of recession.

It could also undermine the position of bank council members such as Mr Lothar Müller, president of the Bavarian state bank, who are lobbying hard for tighter monetary controls.

The Bundesbank itself sent out further signals yesterday that it would not be hustled by partners in the European Monetary System into relaxing its interest rates stance.

It was understandable that others might want lower interest rates, the bank said in its latest monthly report, but it did not follow that the use of "suitable counter-measures" should be hindered in countries facing "intolerable" price inflation.

The bank was maintaining its position in the interests of Europe, the report claimed. The D-Mark was the anchor of the EMS and any lessening of its stability would make the conditions for economic and monetary union more difficult to achieve in several countries.

Money supply figures for May, confirmed without comment yesterday in the Bundesbank report, show the broad M3 measure growing at 9 per cent year-on-year, compared with the target of 3.5-5.5 per cent.

"A temporary above-target monetary expansion would not seem to call for further tightening of monetary conditions, but there should be no let-up in the pursuit of lower inflation, even if this means high interest rates for a prolonged period," the OECD survey says.

Details ....Page 2
Lombard ....Page 15

Inflation in western Germany will fall from 4.3 per cent now to between 3 per cent and 3.5 per cent in the second half of this year, it adds.

A scheduled one point increase in value added tax to 15 per cent next January is expected to push the rate up by another 0.5 per cent.

There is also a risk that, instead of absorbing cost pressures, companies will pass them on through price rises, further fuelling upward movement.

"In such a scenario, the scope for reduction of interest rates would be more limited and the upturn of economic activity weaker than in the present projection," the report says.

However, if more high wage deals and the temptation to pass on cost rises are avoided, inflation could be down to around 2.75 per cent by the end of next year.

The OECD expects western gross national product to grow 1.3 per cent this year – compared with most expectations of around 1 per cent – and 2.3 per cent in 1993. In the east, GNP should rise 7.5 per cent in 1992 and 9 per cent next year.

It notes that government and Bundesbank policies seem set to support a more sustainable growth rate than in the post-unification boom. Most expansion will come from increased exports.

The Italian, British and Spanish defence ministers (left to right) Salvo Ando, Malcolm Rifkind and Julian García Vargas in London for yesterday's talks on the European Fighter Aircraft project Picture by Ashley Ashwood

Major predicts second-half economic recovery

By Philip Stephens and Peter Norman

MR JOHN MAJOR, the UK prime minister, yesterday threw his weight behind predictions of economic recovery in the second half of this year despite new evidence that his election victory had failed to spur growth.

At prime minister's question time in parliament, Mr Major told MPs that both the Paris-based Organisation for Economic Co-operation and Development and the independent London Business School had forecast recovery from the second quarter of this year. "We share that view", the prime minister said.

However, official industrial production figures for May and the latest quarterly business confidence survey from Dun & Bradstreet, the business information group, painted a bleak picture of the economy.

Dun & Bradstreet said weak retail and construction activity and the burden of bad debts on companies had dashed the hopes of full recovery this year. "There is now no certainty of the recovery getting fully underway before 1993", said Mr Philip Mellor, D&B's marketing manager.

The UK Central Statistical Office reported a 0.6 per cent drop in manufacturing output in May, and a 0.4 per cent decline in overall industrial production in the March to May period compared with the three months to the end of February.

Mr Nigel Richardson, an economist with Warburg Securities in London, said the figures suggested that the UK economy was stuck in recession for the eighth successive quarter. "The UK will be hard pressed to record unchanged output in the second quarter", he said.

Amid sharp exchanges in the House of Commons over the recession, the prime minister rejected opposition charges that the economy was at risk of sliding into a 1930s-style slump.

He said the ingredients for recovery – rising exports, increasing car sales and falling producer price inflation – were already in place. He added: "It will be a recovery based on a rate of inflation that's far lower than anyone in this house predicted it would be 18 months ago and it's from that basis that we will get the growth we would all wish to see."

His comments came as Down-

Continued on Page 16
Fall in output fuels recovery doubts, page 10
Lex, Page 16

New approach to be made to Germany over fighter

By Daniel Green in London

BRITAIN, Spain and Italy, three of the four nations in the troubled European Fighter Aircraft programme, agreed yesterday to make a last-ditch attempt to bring Germany, the fourth member, back into the project.

However, there appeared to be differences between defence ministers over how the project should proceed, with Spain apparently taking the side of Germany in demanding at least a 30 per cent cut in the price of each aircraft.

Mr Malcolm Rifkind, UK defence secretary, and his counterparts, Mr Salvo Ando from Italy and Mr Julian García Vargas from Spain, called in a joint statement after a meeting in London for more talks with Germany.

Later Mr Rifkind met Mr Pierre Joxe, the French defence minister, although he would not say what would be discussed.

Last week Mr Volker Rühe, the German defence minister, said the participation of France, which is building the Rafale advanced fighter aircraft, might solve the difficulties with the EFA project.

After their meeting yesterday, the three ministers proposed that officials and industry "should study possible ways of [continuing with the project] within a lower ceiling price". Germany, which said this month that it did not intend to participate in production of the aircraft, says the EFA is too expensive.

Europe bares its claws ....Page 15

But disagreements emerged between the three defence ministers over what to do if Germany reaffirmed its decision to pull out of EFA. Mr Rifkind said if this happened "then we all go to the three-nation project", but Mr Ando said the remaining three countries would only decide what to do after any German reaffirmation.

The ministers agreed, however, that the next step was for Germany to decide whether it was prepared to hold more talks with its partners. Mr Rifkind said he expected to hear from Mr Rühe "within a few days".

He said that these talks could then be held "in weeks rather than months".

Mr García Vargas said that if Germany did pull out, a new partner should be found, not necessarily from Europe. He said Spain would remain in the project if each aircraft cost 30 per cent less than projected.

Last week, Mr Rühe said he wanted an aircraft that was 30-40 per cent cheaper than the EFA, for which estimated prices vary between £25m and £45m ($46m-$86m), depending on whether running costs and inflation are included.

The three ministers emphasised the importance of maintaining "the original four-nation collaborative structure of the common air fighter while welcoming any other Western European Union nation which might wish to join".

Kuwait probes role in Spanish company

By Peter Bruce in Madrid and Mark Nicholson in London

THE London-based president of the Kuwait Investment Office has been summoned for an urgent meeting with the Kuwaiti government today after mounting criticism of the KIO's role in the threatened collapse of Ercros, Spain's biggest chemicals company.

Mr Ali Rashid al-Bader is to meet Crown Prince Sheik Saad Abdullah al-Sabah, prime minister, the Kuwaiti finance ministry said in a statement reported by news agencies yesterday.

The report said he had been asked to explain why the KIO, which manages Kuwait's overseas investments and which owns at least 39 per cent of Ercros, had forced the holding company and one of its affiliates to seek protection from creditors two weeks ago.

Ercros owes $2.15bn to creditors. The KIO has refused to make new funds available without a broader agreement on assistance from creditor banks and the Spanish government.

A spokeswoman for the KIO in London would neither confirm nor deny that Mr Al-Bader had been recalled. "My only comment is no comment," she said.

It is understood that Mr Al-Bader is already in the emirate and that he will meet Mr Nasr al-Rowdan, the finance minister, today. He is expected to return to London tonight.

The position adopted by the KIO, which surrounds its affairs with the utmost secrecy, has been harshly criticised in public by Spanish ministers and bankers. The Ercros crisis has also led to calls from the political opposition in Kuwait for an investigation into KIO investments in Spain.

At Ercros, it is the holding company and its fertiliser divisions that have been forced to suspend payments. Its smaller mining, chemicals and explosives divisions have been operating normally, but Spanish banks have demanded early payment from some of them in the past few days of loans worth more than $20m. Late last week, a small Ercros road transport affiliate filed separately to suspend payments to its creditors.

Many small suppliers face ruin if they are not paid by Ercros, which itself employs 10,500 people. The company fears that some of its fertiliser plants may close this month if KIO or the Spanish government do not provide funds.

The KIO has also been subject to criticism within the emirate, with the local press and opposition members of the National Assembly alleging that bad management had led to large losses.

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR8.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils 500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM2.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

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NEWS: EUROPE

Italy reveals 'sweeping' privatisation

By Robert Graham in Rome

THE Italian government's privatisation plans are more sweeping than first announced, according to Prof Guiseppe Guarino, the new industry minister.

The government has set no limit on the shareholdings in individual companies that can be sold to private investors, he told the Financial Times yesterday. But the government is limiting to 45 per cent the stakes to be sold off in two special holdings – containing the assets of the state industrial and financial entities brought under the wing of the Treasury as a result of last Friday's emergency budget.

"Since last Friday, we are now thinking differently," he said. The public sector deficit meant the state could not bail out industry and even if it could this was against Italy's commitments to the EC, he added.

As at Monday, the following concerns have come under the control of the Treasury and have become joint stock companies; IRI, the main state holding company; ENI, the state oil company; ENEL, the electricity authority; and INA, the insurance institute. IRI, ENI and ENEL employ 650,000 people and have a combined turnover of nearly L160,000bn (£70.3bn), with debts close to L80,000bn.

The Treasury under Mr Piero Barucci, a former banker, will be responsible for financial control and the Ministry of Industry for industrial strategy. However, the team co-ordinating privatisation includes the Christian Democrat and former finance minister, Mr Giovanni Goria, and Prof Franco Reviglio at the budget ministry. Mr Reviglio is a former finance minister and head of ENI.

Within the next two weeks the government will create two "mother holdings". These will combine the four joint stock companies plus the Treasury's holdings in the commercial bank, BNL, and the banking and finance group, IMI. It will be decided this week whether the holdings will be divided between industry and financial interests.

Much depends on whether IRI's controlling interests in the banks Comit, Banca di Roma and Crediop are hived off. But the aim is to have the total assets, provisionally estimated at L60,000bn, in broadly similar quantities in each of the two holdings. Prof Guarino insists they will be debt free but it has yet to decide how to treat existing liabilities.

Before the end of 1992, the two new holdings will issue bonds to be underwritten by a consortium of banks. These should be convertible into shares with tax incentives on a sliding scale. Private stakes in the holdings will be limited to 45 per cent.

But Prof Guarino insists there is no limit on the percentage of shares to be sold in subsidiaries. This will be determined by the companies themselves. A possible administrator of the two "mother holdings" is Prof Romano Prodi, former head of IRI.

The heads of IRI, ENI and ENEL have welcomed the measures, although previously strong supporters of public sector enterprise. If market criteria are to prevail it is unlikely that the politicised boards of the companies can remain as before. Unlike previous industry ministers, Prof Guarino rejects the idea of strategic sectors. He says the single European market and increased competition have rendered this an outdated concept.

In a remarkable turnround for a government which previously viewed Sir Leon Brittan, the EC competition commissioner, as a scourge, Prof Guarino claims: "We ought to be thankful to Mr Brittan because he has made us realise we have to change".

Nuns kneel in front of the Gemelli hospital in Rome yesterday to pray for the health of Pope John Paul II. The pontiff is undergoing hospital tests for an intestinal complaint and doctors say surgery cannot yet be ruled out.

EC in new PVC cartel inquiry

By Andrew Hill in Brussels and Paul Abrahams in London

THE European Commission is again investigating an alleged cartel in the European PVC industry, less than four years after fining 14 plastics manufacturers for price-fixing.

Commission officials confirmed yesterday that some of the same companies were implicated in the new investigation, which began last week with two days of dawn raids across the Community. The groups raided include Norsk Hydro, EVC, a joint venture between ICI and Enichem, Elf-Atochem, Shell, Wacker Chimie, Hüls and LVM. Officials said this was "a separate inquiry covering a separate period".

The PVC market, like much of the commodity plastics sector, is highly unprofitable at the moment. The industry supplies the depressed vehicle and construction sectors and prices have declined steadily over the last 12 months. Manufacturing is a continuous process and stocks have been building up throughout Europe.

The groups have been seeking ways of increasing margins and have taken every opportunity to raise prices, although they have had difficulty avoiding discounting. All deny collusion.

The first investigation ended in 1988 with the Commission imposed fines of Ecu24m (£17m) on the 14 PVC-makers.

The legality of those fines is still in question, however, following a landmark ruling by the EC's lower judicial body in February. The Court of First Instance annulled the fines on the grounds that the Commission had broken its own internal rules. Brussels is to appeal against the CFI ruling.

OECD takes heat off Bundesbank

By Christopher Parkes in Bonn

GERMAN money supply, the supposed hot potato to be juggled at the Bundesbank council meeting in Frankfurt tomorrow, seems not so hot after all now that the Organisation for Economic Co-operation and Development's latest economic survey of Germany has handled it with cool detachment.

"The currently rapid money and credit growth has given rise to concern that, if it continues, it may impair the credibility of the monetary authorities by allowing inflationary pressure and expectations to remain strong," the report says. However, it explains, there are special factors behind the runaway expansion of the broad M3 measure – 9 per cent annualised in May compared with the Bundesbank's 3.5 per cent to 5.5 per cent target range.

To paraphrase the report's delicate language, it says that, since reconstruction of the wrecked eastern economy has increased calls on every conceivable west German resource, it is hardly surprising that money is in demand.

There is also evidence of D-Mark hoarding and demand from neighbouring Poland, Hungary and Czechoslovakia, where the hardest currency in Europe is widely preferred to the softer local alternatives.

The Paris-based organisation believes accordingly: "A temporary above-target monetary expansion would not seem to call for further tightening of monetary conditions".

Meanwhile, it adds, the interest rates screw must be held down until inflation rates respond. Making no mention of the impact of the maintenance of existing high rates on Germany's partners in the European Monetary System – Bundesbank policy has been under persistent fire as the main dampening influence on attempts to break out of recession – the report focuses solely on domestic challenges.

The OECD notes that the speed at which policy decisions had to be made and implemented has introduced inefficiencies and distortions, particularly in the labour market. It suggests that transfers to the east, equivalent to 25 per cent of western GNP, may be in danger of "generating negative incentive effects.

"Expenditure on income support that does not produce real investment in human or physical capital will tend to weaken economic incentives and discourage initiative in the new states," it warns.

Job-creation schemes, for example, which are funded by the labour office and pay relatively high wages, are often involved in clean-up and industrial renovation work which could be carried out by private enterprise.

Meanwhile, other workers are being paid too much, the study says. Wage deals in 1990 and 1991, in which many eastern German employees were promised pay parity by 1994, took no account of the labour situation in the eastern Länder. Last year's deals should now be renegotiated, the report says.

Running a substantial budget deficit – at least for a time – is also acceptable to the OECD's economists as an exceptional response to extraordinary times. A deficit of 2.75 per cent of GNP in 1991, and rising this year, is "not a sign of over-spending or weakness of the tax system". It will correct itself as the east catches up, the report claims.

However, the rise in government spending in 1990 and 1991 has wiped out virtually all the consolidation gains obtained in the years 1982-1989. Meanwhile, increased taxes and social security contributions have brought the overall tax burden in the west back to the level before the tax reform programme which started in 1986.

The government is committed to re-setting the budgetary balance, cutting subsidies and capping public spending with nominal 2.5 per cent and 3 per cent annual increases in federal and state budgets respectively, but the report warns that state and local authority spending is likely to remain "vigorous".

GERMAN ECONOMY: OECD PROJECTIONS TO 1993 AT CONSTANT 1991 PRICES (DMbn)

	Germany Total 1991	VOLUME CHANGES PER CENT West Germany 1992	1993	East Germany 1992	1993	Germany Total 1992	1993
Private consumption	1,575.4	1.2	2.4	5.0	3.0	1.6	2.5
Public consumption	559.5	1.5	1.2	-4.0	2.0	0.6	1.3
Total investment	653.6	1.6	2.8	27.5	13.7	4.5	4.3
Machinery, equipment	642.1	0.1	3.4	35.0	18.0	4.2	5.6
Construction	299.7	3.0	2.2	20.0	9.0	4.8	3.0
Change in stocks	11.5	0.0	0.0	-1.0	2.3	-0.1	0.1
Total domestic demand	2,788.5	1.3	2.2	6.7	6.6	2.0	2.8
Foreign balance	19.8	0.2	0.4	-5.0	-3.3	-0.2	0.0
Exports	824.0	3.7	5.1	20.0	15.0	3.5	5.6
Imports	804.1	4.1	5.2	9.5	7.0	4.3	5.4
GNP	2,808.3	1.3	2.3	7.5	9.0	1.8	2.8

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Belgrade's new PM pledges to end war

By Laura Silber in Belgrade

MR Milan Panic, an American businessman born in Belgrade, was sworn in as prime minister of Yugoslavia yesterday, after pledging to end the war in Bosnia-Hercegovina.

Mr Panic said he would act as his own defence minister, which western diplomats saw as a sign that he planned to try and end bloodshed in Bosnia by maintaining full control over the army.

The new prime minister is now on a collision course with Mr Slobodan Milosevic, the Serbian president, who backs Serb forces fighting in Bosnia and appears to support a command economy.

One western diplomat said Mr Panic was making an effort to pull Serbia out of its international isolation, caused by its aggression in Bosnia and its attitude to its own ethnic minorities.

In an address to the Yugoslav parliament, Mr Panic said his government had four aims: to stop the war, and establish a lasting peace in Bosnia, to create the conditions for a multi-ethnic and multi-religious society, to introduce freedom of the press, and to revive the economy.

He called for the demilitarisation of Bosnia and the disarming of all forces in the republic under the auspices of the United Nations.

He said that he respected Bosnian independence and called for the re-establishment of transport, communications and postal connections with the other former Yugoslav republics.

The parliament, dominated by Socialist [former Communist] deputies, gave the 62-year-old pharmaceutical magnate a mixed reception, some attacking him for a lack of patriotism. The ruling Socialists have repeatedly attacked opposition leaders as traitors to Serbia.

Mr Panic responded by saying he was a patriot. "Democracy is not only the respect for your opinion it is the respect for different opinions. We will not discuss the sanctions any more – about who is guilty and who is not. But we will work on lifting them," he said.

He called for the establishment of a financial stabilisation programme and for the urgent removal of the causes which led to the UN sanctions, imposed on May 31.

The appointment of Mr Tibor Varady, an ethnic Hungarian politician who is a professor of law, was seen as Mr Panic's gesture of conciliation towards Serbia's ethnic minorities. He also said a cabinet position would be established for ethnic minorities. Serbs make up only 67 per cent of the republic's 9m population.

Mr Panic was appointed by Mr Dobrica Cosic, the Serbian writer who is president of the rump of the unrecognised Yugoslav federation. Mr Cosic told the federal parliament that "the government's task would be to change an ideological state and society into a democratic society of free people" and he appealed for tolerance.

But the western diplomat said Mr Panic may lack the key instruments to bring about change in Yugoslavia, consisting of Serbia and Montenegro.

"He will face enormous obstacles. He is a businessman, not a politician, who has dropped into a snake pit".

Snipers 'firing on aid convoys to Sarajevo'

SNIPERS around the beleaguered city of Sarajevo are firing on ambulances and aircraft carrying relief supplies to the Bosnian capital, a United Nations agency said yesterday, Reuter reports.

"People are taking pot-shots at anything with 'humanitarian' written on it," Ms Sylvana Foa, of the office of the UN High Commissioner for Refugees (UNHCR), said in Geneva.

Ms Foa said aircraft landing at Sarajevo's airport with relief supplies for the city's estimated 300,000 inhabitants "are taking hits as they come in".

"A bullet shattered the window of one ambulance right by the head of one of our people who was riding in it," she said.

Sarajevo has been under siege since April from Bosnian Serbs opposed to the republic's independence. UN peace-keepers in Sarajevo yesterday accused both Serbs and the Croat and Moslem forces which oppose them of ceasefire violations hours after mortar bombs landed near their headquarters.

In another incident, UN troops returned fire and killed a Serb sniper who slightly wounded a Canadian soldier at Sarajevo airport, a UN spokesman said.

He added that a record 25 relief flights to Sarajevo were expected yesterday.

The leaders of the three warring factions agreed to come to London today to meet Lord Carrington, the European Community envoy, in a new attempt to end the fighting.

Meanwhile, Serb forces are said to be confident that within 48 hours they will capture the town of Gorazde, 70km east of Sarajevo.

Serb forces launched an offensive on the mostly Moslem-populated town on Saturday, deploying tanks and pounding it with heavy artillery. All communications with the town, with a 70,000 population including 10,000 children, are cut. The town is critically short of food and medicine.

As thousands flee fighting, Croatia foists problem on to international community

Help plea as refugee crisis swells

By Our Foreign Staff

AUSTRIA and Hungary yesterday appealed for international help over the worsening central European refugee crisis after Croatia said it would not accept any more people fleeing the war in Bosnia-Hercegovina.

Croatia said it would not close its border with Bosnia but all new arrivals would be transported directly to the borders of its northern neighbours, Slovenia, Austria and Italy.

"Foreign countries are not willing to open their borders and want to turn Croatia into a refugee centre," a government statement said.

"Croatia is on the verge of social and economic collapse and there is not enough understanding or help from the international community."

Refugees from the war in Bosnia, which has killed at least 7,500 people and left thousands more missing, have flooded into Croatia, Serbia, Slovenia, Austria and Hungary. Tens of thousands more remain trapped in Bosnia by the fighting.

Croatia's inland cities and coastal resorts have been overrun by displaced persons and tent settlements have sprouted in several parts of the former Yugoslav republic.

The government said refugee camps would now serve only as transit centres and that the new ruling would be enforced by the interior ministry.

In Belgrade, Mr Laurens Jolles, of the United Nations High Commissioner for Refugees (UNHCR), said: "We are very concerned about the situation. I think you could have thousands of refugees in emotional situations piling up at the borders."

The Croatian decision, announced on Monday night, has placed particular strain on neighbouring Hungary, the last country in the region still offering sanctuary to Bosnian refugees.

Laid low by recession, Hungary may soon have to introduce its own entry restrictions, although officials in Budapest say it will be difficult to turn away refugees from Sarajevo. "As long as we can bear it, we will. But it is not feasible for Hungary to remain alone," said Mr Janos Zubek, the Hungarian border guards' spokesman.

In Austria, which introduced visa controls for people from the rump Yugoslavia at the this month, Chancellor Franz Vranitzky yesterday urged other European countries to take refugees.

Mr Ivan Jarnak, of the Croatian interior ministry, plans to visit Vienna today to discuss the Croat measure. Austria is hosting a meeting of seven central European heads of government tomorrow to discuss the deteriorating refugee position.

The Croatian government said the country was on the verge of collapse after admitting nearly 580,000 refugees.

There was speculation yesterday that Croatia was directing Bosnians towards Slovenia and Italy in an effort to influence international opinion.

A European diplomat in Belgrade said: "Croatia made the move to call world attention to the crisis. There is also a tremendous problem in Serbia which will only increase with the UN sanctions."

About 2.1m people have been uprooted from their homes over the past year of fighting in Bosnia and Croatia. A spokesman for the Austrian Chancellor said yesterday: "It is a great problem. Things will get worse rather than better."

Austria and Hungary are each giving shelter to about 50,000 refugees from the fighting. Austria has introduced visa requirements for fugitives from Serbia and Montenegro, but is allowing in without visas Bosnians from areas suffering from Serbian forces.

Mr Peter Kessler, the UNHCR spokesman in Sarajevo, said: "We regret the decision but at the same time there was literally a flood of people." He added: "There is still a lot of troop activity throughout Bosnia. People do not feel secure. Those who choose to stay behind find themselves facing persecution."

Serb forces, which control more than half of Bosnian territory, are driving out Moslems from eastern Bosnia in a policy of "ethnic cleansing".

UNHCR officials say neighbouring countries, not only Croatia and Serbia, must share the burden of accommodating the thousands of refugees. Some 850 lorries will transport 17,000 tonnes of food following a European Community grant of Ecu6m (£4.24m). But Mr Kessler said the UNHCR needs $43m just to keep operations going in the former Yugoslavia through October.

Since the start of July, about 2,000 Bosnians have arrived in Hungary taking the total number of refugees from the conflict to about 50,000.

Many of the recent arrivals said they were forced out of their homes by Serb militiamen, given fresh Yugoslav passports and put on trains to be dumped in Hungary.

The Hungarian authorities fear a new wave of refugees as the Serbian transit camp on the deportation route in Vojvodina is reportedly full. An estimated 40,000 refugees from various parts of former Yugoslavia have arrived in Sweden so far this year. Three quarters of them 30,000 are ethnic Albanians from the province of Kosovo but over the past month half the inflow are refugees from Bosnia-Hercegovina.

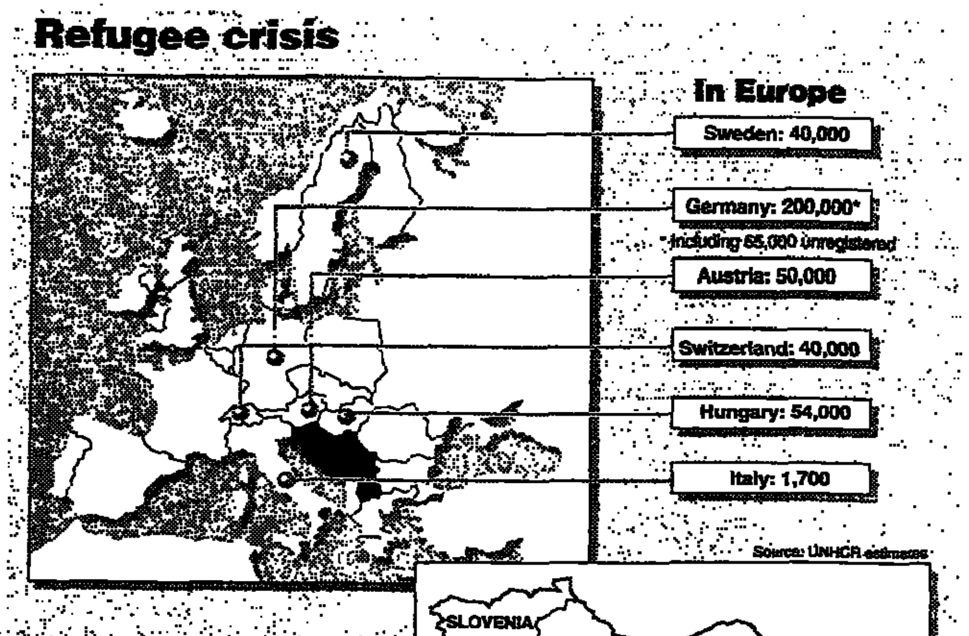
The German government plans to send three surveillance aircraft in addition to the destroyer, Bayern, earlier ordered to join the United Nations sanctions patrols in the Adriatic Sea.

After confirmation of the decision, expected at today's cabinet meeting, the three aircraft are expected to fly to temporary bases in southern Italy on Thursday.

The "intervention" has roused strong protests in Germany. Opposition politicians threatened action in the constitutional court. According to Mr Karsten Voigt, the Social Democrat foreign policy spokesman, the move to help oversee the UN embargo on Serbia and Montenegro was illegal because it was not a humanitarian action, and therefore overstepped the limits on German troop deployment set down in the constitution.

Reporting by Nicholas Denton in Hungary, David Marsh in London, Laura Silber in Belgrade, Robert Taylor in Stockholm, Frances Williams in Geneva and agencies

Refugee crisis



In former Yugoslavia

Present location	From Croatia	From Bosnia Hercegovina	Total
Croatia	267,000	310,500	577,500
U.N protected areas in Croatia	69,000		
Serbia	165,000	208,500	373,500
Bosnia	93,000	500,000	593,000
Montenegro	7,500	41,000	48,500
Slovenia	3,000	60,000	63,000
Macedonia	2,500	25,500	28,000
Total	607,000	1,145,500	1,752,500

NEWS: EUROPE

Tax tonic for stock market in Turkey

By John Murray Brown in Ankara

TURKEY has introduced tax reforms to give a boost to the country's struggling stock exchange, and in turn increase revenue at a time of severe budget constraints.

The reforms, from January 1993, are intended to revive market activity, giving encouragement to investors and to companies considering equity flotations.

There will be tax exemptions for mutual funds which are invested up to 25 per cent in the stock market. Income earned from the management of mutual funds is also to be tax exempt, together with income on venture capital funds and income on real estate funds. To continue to enjoy tax exemption on sales of securities, a company will have to hold the assets for at least two years. Income generated from sales of rights issues at a premium will also be tax exempt.

In a bid to raise revenues the new law sets a minimum 23 per cent corporation tax rate, compared with a basic rate of 46 per cent. Effective corporate tax is around 10 per cent as companies are entitled to a series of tax incentives which they use to reduce their tax liabilities.

Hitherto, the government's appetite for funds has provided banks and corporations with low risk high yielding assets, but also served to put upward pressure on interest rates, damaging the investment climate.

IMF standby accord with Russia heading for failure

By John Lloyd in Moscow

THE International Monetary Fund is likely to fail to conclude a standby agreement with Russia because of a continuing lack of monetary control by Moscow, international economists said yesterday.

The economists, mostly American, in Moscow this week for talks with ministers, were told yesterday the budget deficit amounted to 20 per cent of gross national product – roughly the same deficit as that of the Soviet government last year before the collapse of the Union.

At the same time, private forecasts by government officials point to its inability to reduce significantly the deficit by the year end – despite a pledge to the IMF that the deficit, net of all foreign assistance or loans, will be brought down to 5 per cent by December. This commitment, together with a promise to bring down inflation to 9-10 per cent a month, was a condition of the granting of a first tranche of $1bn from the total proposed loan of $24bn (£12.5bn).

Economic policy makers in the west are discussing how western financial aid can be continued without an IMF "seal of approval" on Russian economic reform.

There remains strong political pressure in the west, though not in Japan, to help Russia financially. But until now, the official position has been that the IMF must take the lead.

Mr John Williamson of the Institute of International Economics in Washington said that, given the figures on the deficit, "the chances of the rest of the IMF loan going through are very slight. In fact I would think it was wrong of the IMF to lend money in face of what is now happening".

Prof Richard Cooper of Harvard University said: "I think after hearing these figures it must be unlikely that you get an agreement now."

But Mr Konstantin Kagalovsky, the senior government official in charge of negotiations with the IMF, said: "I would agree it would be unlikely if these figures continued to be so bad. However, we have a good, tough budget and I think we can stick to it and get the figures we agreed with the IMF."

Mr Kagalovsky said the major problem was that of defining the "rouble zone" of former Soviet republics which will continue to use the rouble, against those which decide to introduce their own currency. Mr Kagalovsky said: "We would be happy to see any country stay in the rouble zone, but if they do they must follow the policy, produced in Moscow, by the (Russian) Central Bank".

In recent months, other republics, especially Ukraine, have created large amounts of new rouble credits for enterprises. Under present arrangements, the Russian central bank must honour such credits. Discussions on defining and disciplining the rouble zone are now under way between the members of the Commonwealth of Independent States, but there is no agreement on the rules for the zone, or a final list of which republics will join it.

Moscow deputies seek press curbs

By John Lloyd

THE Russian parliament has joined battle with the country's media, in what seems to be an attempt to curb its still fragile freedom and reimpose central controls.

The parliament's praesidium voted on Monday to establish a council to oversee the state media – a definition which could include both TV and radio and almost all newspapers.

The new Observatory Council, to be composed of parliamentary deputies and representatives of political parties, would have the right to give "recommendations" which would be mandatory on the media. A full-scale parliamentary debate on the Praesidium's motion is due to take place this week, before the Russian parliament goes into its summer recess.

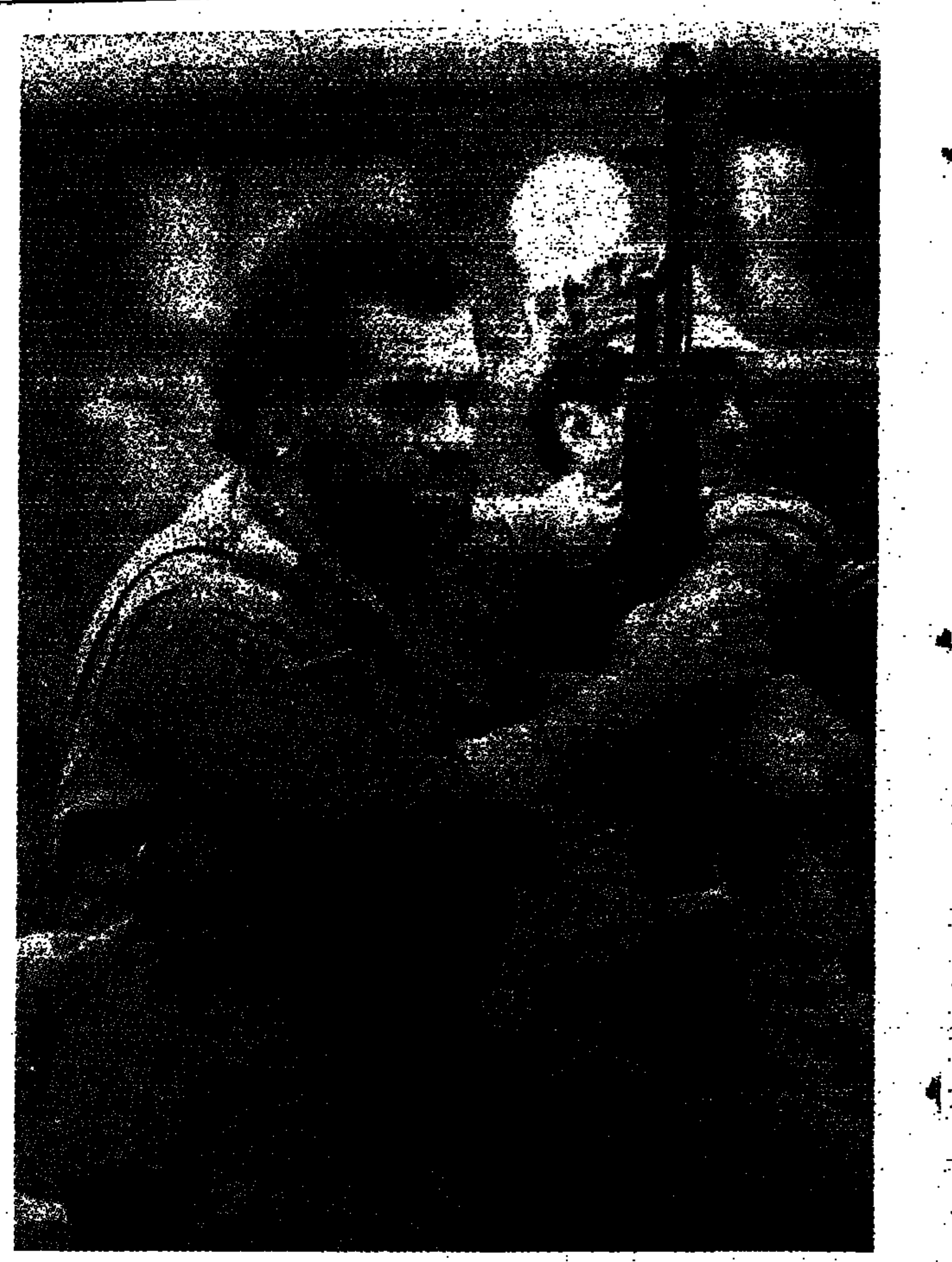
At the same time, the Praesidium has proposed taking over the newspaper Izvestia, the most prestigious of the central newspapers with a claimed circulation of 3.8m throughout the former Soviet Union. It claims that the paper, formerly published by the Supreme Soviet of the Soviet Union, illegally established its independence immediately after the August putsch last year.

A resolution of the Praesidium says that, as successor to the Union Supreme Soviet, the Russian parliament is the legal owner of the printing plant and publisher of the paper. Mr Otto Latsis, the paper's main commentator, yesterday furiously attacked the Praesidium's move as "an attack on democracy and the preparation of a new putsch".

Leyla Boulton adds from Moscow: Russia is simplifying restrictions on the movement of foreigners.

The government said it had ended the ban on travel to closed areas, although there remained some places which could be visited only with foreign ministry permission. This was because they contained security installations and the state had not yet worked out a system for sealing off individual plants and military bases.

The new list of restricted areas replaces one drawn up in 1990 which is out of date because of decrees by President Boris Yeltsin opening up whole cities. Now that the city of Chelyabinsk has been opened up, for example, just two territories outside the city will be "regulated". The list covers areas in 16 regions of Russia, such as the town of Komsomolsk na Amure in the Khabarovsk region, and islands in the Gulf of Finland.



An observer from the peace-keeping force keeps watch along the peace line yesterday

Peace-keeping troops sent into South Ossetia

RUSSIA and Georgia yesterday deployed "blue helmet" troops to stop ethnic fighting in the disputed region of South Ossetia in the first peace-keeping operation since the collapse of the Soviet Union, Reuter reports from Moscow.

Reports from the remote Transcaucasian region said hundreds of heavily armed Russian troops from the 104th paratroop battalion moved into a 7km-wide security zone separating rebel South Ossetia from the rest of Georgia.

Georgian national guards occupied similar positions on their side of the border and pulled out all their men from the South Ossetian capital of Tskhinvali.

But Itar-Tass news agency said gunfire overnight near the city killed four civilians and injured two others, underscoring the difficulties facing the operation.

The mission was the first peace-keeping attempt anywhere in the former Soviet Union, whose disintegration last year has prompted waves of bloodletting in ethnic flashpoints from the Romanian to the Afghan borders.

Russia and Georgia were cautiously optimistic that Ossetia could be the first region of the former Soviet Union where armed conflict could be resolved with the help of "political measures and actions".

South Ossetia is part of Georgia but wants to unite with neighbouring North Ossetia, which was assigned to Russia by Stalin. Hundreds have been killed since 1990 in fighting between Georgians and Ossetians.

The peace-keepers have been issued with UN-style light-blue helmet bands and matching chevrons on their sleeves.

They will be joined later by a multi-ethnic force – Russians, Ukrainians, Ossetians and other mountain peoples – under the nominal command of North Ossetian leaders.

The peace-keepers' mission is to form a physical barrier between the two sides, opening the way to future talks.

The greatest threat is expected to come from hundreds of armed fighters on both sides, operating independently in a dozen or so bands outside the control of either Russian or Georgian authorities.

Interfax news agency said Russia's Vice-President Alexander Rutskoi, at present on a visit to Moldova, proposed a similar peace-keeping operation there.

But his talks with Russian-speaking separatist leaders in the breakaway Dnestr region appeared to run into difficulties.

TOUR DE FORCE!

Ricoh, a world leader in office automation, is lending massive technical support to the world's most famous cycle race. But this is just one part of the company's far-sighted approach to sponsorship and support, allied with its determination to provide a platform for the very best in youthful sporting prowess

AS THE 79th Tour de France, the supreme sporting event for the world's cycling fraternity, reaches its half way stage today the struggle between the leaders is being eagerly watched on television by hundreds of millions of enthusiasts worldwide.

Only when the leaders battle along Paris's historic boulevards from La Defense to the Champs-Elysees a week on Sunday will the final outcome be known and the winner acclaimed in what is now the third ranking sports event in the world.

By then the cyclists of the 22 competing teams who finish the 1992 Tour de France will have covered 3,830 kilometres and travelled through more individual European countries than ever before.

And for the sixth consecutive year the cyclists bear the name of Ricoh, a world leader in office automation, on their back numbers.

As the official back-number sponsor of the 79th Tour de France, the Ricoh name has figured prominently on television shots from the very start of the race in Saint Sebastian in Spain, through the stages to Bordeaux, from Nogent-sur-Oise, Roubaix, Brussels, Coblenz and Luxembourg.

The Ricoh back number is, however, only the outward sign of the vast amount of support and organisation Ricoh is putting into this year's Tour de France.

Behind the scenes Ricoh is once again supplying its photocopying expertise to the organisers of the Tour. By providing a Press Centre Copy Service throughout the period of the tour, Ricoh is providing the 1,000-plus television and print journalists and photographers covering the Tour with completely up-to-date results of each stage and the overall rankings of the cyclists.

A technical team, specially set up by Ricoh, not only installed all the necessary Ricoh copiers but is responsible for the running and maintenance of the equipment from start to finish.

All out for glory – and Ricoh's sponsorship helped to oil the wheels of success

RICOH

Official Olympic Facsimile Network Sponsor

Lighting the flame of excellence

On Saturday July 25 the last torch-bearer to carry the Olympic torch on its 5,000 kilometre journey from Greece, birthplace of the Olympic Games, to Barcelona, host to the 1992 Summer Olympics, will enter the packed Montjuic Olympic Stadium. In the historic gesture which has become familiar over the years the runner will light the flame to signal the start of the XXV Olympiad.

It will be a moment of excitement not only for the thousands of athletes gathered in Spain's historic port city but for the multitude who have laboured behind the scenes over the last two to three years to ensure that the Games are a success.

As the Official Facsimile Sponsor, Ricoh has not only installed the first facsimile network in history. By responding to the challenge of doing so, Ricoh opened up new areas to its technology.

Mr Hidesato Okashita, General Manager of the Ricoh Olympic Project Group, who had overall responsibility for the programme in over 160 countries, calculates that as many as 30 users saw a fax machine for the first time when Ricoh set up their fax facilities.

With just days to go before the official opening, Ricoh has attended to every tiny detail to provide the right machine for its users. The range of faxes which Ricoh is providing for CCOB, the Barcelona Olympic Organising Committee, include the Ricoh Fax 80 and the Fax 85 as well as plain paper facsimile machines. Ricoh faxes will also be available at the Telefonica telephone and fax booths situated in strategic areas at the Games venues in Barcelona and the surrounding towns.

Besides showing its support for the Olympics, Ricoh's involvement is a further reminder of its commitment to Spain, where Ricoh Espana Sa, which began operations in 1986, is a growing force in the Spanish office automation market. From its Barcelona headquarters, Ricoh Espana SA has played a key role in providing technical support and service for Olympic Fax Network.

Ricoh's strengths in copying machines reflect the company's position as the biggest-selling manufacturer of black and white copiers in the intensely demanding Japanese market and its role in creating the digital copier market and developing the company's Imagio series, which remains the market leader.

And Ricoh's participation in every Tour de France since 1987 is further evidence of the company's continuing sponsorship tradition in the field of sports.

This tradition reaches a climax this year when the 1992 Olympic Games open in Barcelona later this month. For as one of the 12 Top Sponsors of the XXV Olympiad Ricoh has installed the world's first Olympic Facsimile Network. (See box for details).

Ricoh is no stranger to the Olympics, having supported press centres in Montreal and Lake Placid in 1976 and 1980.

But this time is of a different magnitude. For the first time a facsimile network links the International Olympic Committee (IOC) in Lausanne, Switzerland with the Olympic Family around the globe. This involves all 165 National Olympic Committees, 89 IOC members and 33 International (sports) Federations.

The network was very much the brainchild of His Excellency Jaun Antonio Samaranch, the President of the International Olympic Committee, who has had a "long-held dream of establishing an effective international information network among IOC member organisations."

Today, Ricoh has made President Samaranch's dream a reality.

The efficiency of this unique fax network was first put to the test during the Winter Olympics in Albertville, France, earlier this year – and it passed with flying colours.

As the athletes from all around the world now gather in Barcelona for the Summer Olympics, Ricoh is confident that, thanks to its fax network, Olympic communications will be faster, more accurate and smoother than ever before.

Ricoh's worldwide commitment to sport sponsorship is shown by the diversity of the company's contribution to a wide range of sporting activities.

Skiing, tennis and rugby have all gained from the financial and technological support of Ricoh, which today is a global giant employing 47,000 people worldwide.

Last November, for example, Ricoh played a part in contributing to the success of the Rugby World Cup Tournament. Apart from providing a substantial cash contribution, Ricoh supplied and serviced all copying and facsimile machines being used at all the media centres at each of the 19 venues throughout the United Kingdom, Ireland and France, where the tournament was held.

Nor is Ricoh's support for sport always on a worldwide scale. The company has strongly backed Australian rugby, for example, while Ricoh UK Products, with a factory based in Telford in England's West Midlands, played its part in the development of the Telford Athletic Track.

Why has Ricoh devoted so much time, money, expertise and enthusiasm to sport sponsorship?

There are a number of reasons.

Take the Tour de France, for example. As the official back-number sponsor, Ricoh is able to remind its European public, customers and potential customers that the group is now a growing force in the European office automation markets.

Established in Europe since 1963, Ricoh co-ordinates its European operations from its headquarters, Ricoh Europe BV in Amstelveen, Holland.

In France, for example, at one stage the Tour de France cyclists will pass close to Ricoh Industrie France SA's modern manufacturing facility at Colmar, Alsace. From the first plant built in 1987 and its new thermal paper plant, which opened in May, Ricoh Industrie France not only supplies Ricoh France SA, the French marketing subsidiary, but a number of other of Ricoh's subsidiary companies in Europe.

With seven sales subsidiaries and a financial subsidiary as well as the British and French factories, Ricoh now employs more than 2,400 people throughout Europe and the group's backing for a high profile event such as the Tour de France is continuing evidence of Ricoh's intention to build on the progress it has made in Europe so far.

So far as the Olympic Games are concerned, Ricoh has many motives in supporting the Olympic Movement. The group's dedication to improving international technological communications is certainly one of them.

As Mr Ryuji Anraku, Chairman of the Ricoh Olympic Project Group has put it:

"Ricoh pioneered international facsimile messages with the first one-minute trans-Pacific transmission in 1973. Since then it has been our mission to spread facsimile communications worldwide."

But Ricoh's commitment is more than technological, although bringing more than 160 countries together through swift communication gives Ricoh an unrivalled opportunity to display its expertise as a world leader in office automation on a global stage.

As Mr Yoshiharu Moriya, chairman of Ricoh Europe sees it, the Olympic Games, like the Tour de France or the Rugby World Cup, provides a platform for youth and sporting skills and the encouragement of world peace.

Great sporting events such as the Olympic Games provide a forum where many of the problems of a troubled world can, for a time at least, take second place to triumphs and tribulations as the best of the world's athletic youth seek their moment of glory.

By helping to bring the world closer together through technological communications, Ricoh hopes it can also help the world's people understand one another a little better . . .

Ricoh's new computer with a mind of its own

A "thinking" machine which could learn how to process words and print out letters from dictation has come nearer to reality thanks to a dramatic new breakthrough by Ricoh.

The office automation giant has produced an experimental computer which does not need software to tell it how to carry out its work.

Ricoh's experimental neurocomputer – so named because it imitates human thought processes – is in its early stages. As yet it can only learn 16 characters at a time, despite containing the very latest microchips and drawing on computer power some four times faster than a supercomputer.

Yet Ricoh's neurocomputer points the way to bigger things. From it Ricoh hopes to incorporate a small neural computer in its office photocopier machines which will enable them to learn tasks by themselves – for example, determining whether a copy is produced with an even tone – rather than relying on software which sets the instructions for the machine.

The new computer will be adapted to many uses and will achieve the performance needed to control not only office equipment but also robots and machine tools. It can be adapted to recognise images, voices, objects and so on, all without the need for software programmes. For example, Ricoh has successfully developed a robot capable of moving forward without hitting walls. Thanks to ultrasonic sensors the robot can sense the position of the obstruction and is programmed to change direction to prevent it colliding with solid objects.

The brains of the system are 32 of the neuro LSI RN-100 chips, which was the world's first neuro LSI chip with built-in learning capability.

Looking further ahead, a new neurocomputer currently being developed by Ricoh will use the next generation of neuro LSI chips: the RN-200, which contain 32 more components than the previous LSI RN-100 chip.

The principle of the neurocomputer is that it learns from its mistakes until it has mastered a particular task. For example, Ricoh's experimental computer was recently put through its paces by being fed equations governing a ball rolling on a seesaw, and instructed to prevent the ball from dropping off the end. After several attempts the computer worked out how to keep the ball balanced in the middle.

Although neurocomputers are not new, existing models combine the traditional central processing unit with software. Ricoh's computer dispenses with the central processor and uses 16 neurons operating in parallel and linked together.

The biggest drawback at the moment is the enormous amount of computing power the computer uses, but Ricoh researchers are working on this.

According to Dr Morio Onoe, General Manager of Ricoh's Research and Development Centre and Professor Emeritus at Tokyo University, the first practical application for the computer will be in mechanical control.

Ricoh's ability to operate at the sharp end of technological evolution reflects the large investment which the company spends on R & D and the wide range of research as well as the R & D Development Centre.

RICOH

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At the Democratic convention, **Jurek Martin** finds Bush-bashing to the fore

Delegates talk over food for thought

THE FIRST night of an American political convention is the overture to the work of the week, and the Democrats certainly sang it in harmony on Monday. But not everybody belted it out with the same raucous vigour.

Take the lead tenor from New Jersey. There was a time when Bill Bradley could hold an audience in Madison Square Garden in the palm of his hand on any given evening.

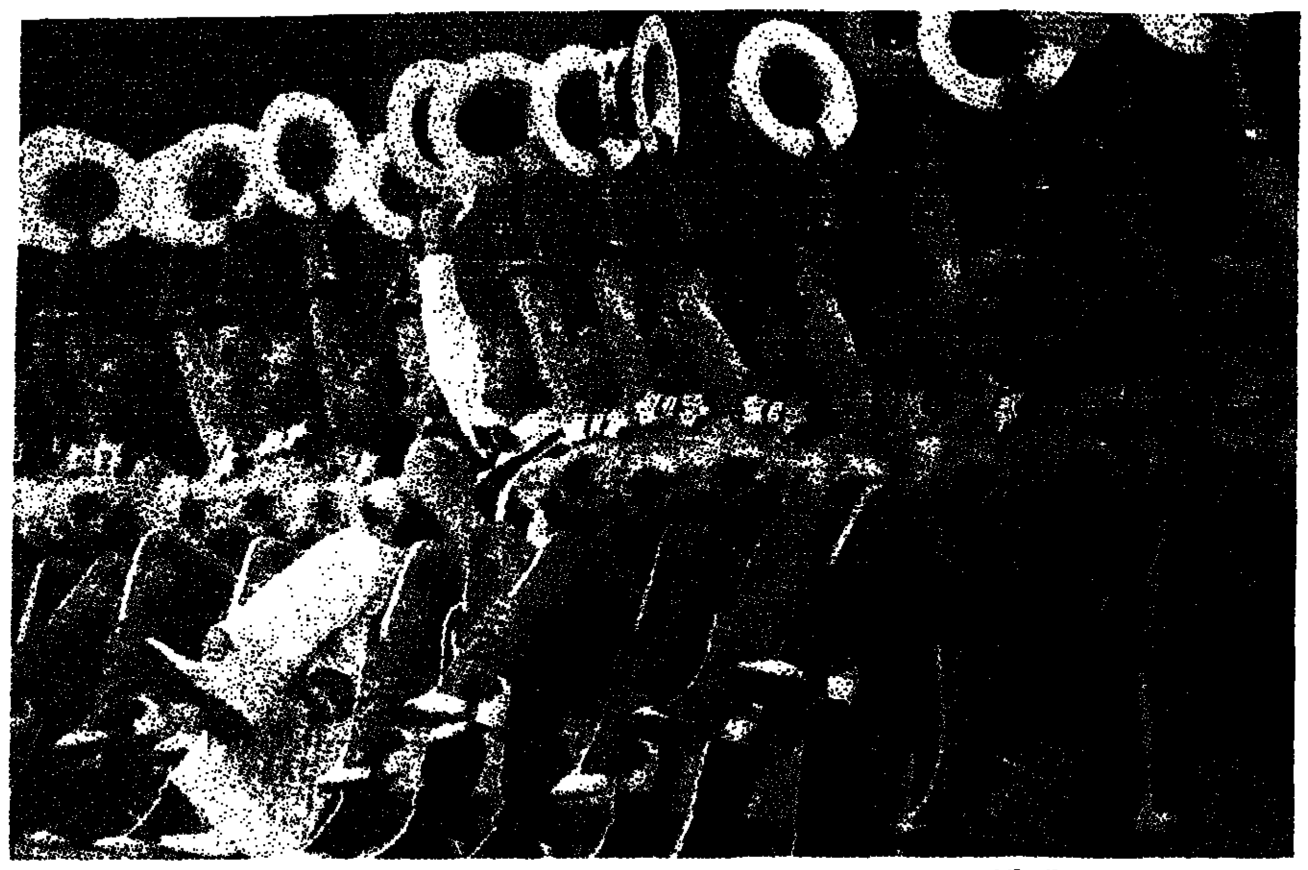
That stopped 15 years ago. "Bradley back in the Garden" – to quote the buttons on every New Jersey delegate in sight – was not wearing basketball sneakers and a number 24 shirt, but the dark suit and tie of a professional politician increasingly regarded as the Democratic party's thoughtful conscience and, albeit less widely, as its best presidential candidate – not this year but before too long.

Senator Bradley's keynote address on Monday night showed him at his least, and most, impressive. On the down side, one conclusion is safe. Rumour has it that he has spent almost as many hours practising his public speaking as he did his jump shot. If so, it was to much less effect.

The Garden did not hang on his every word, not in comparison to his fellow-keynote speakers. Governor Zell Miller of Georgia, for example, had them rocking in the aisles with his full-frontal assault on the Republican opposition.

Yet even he paled into insignificance when the final act. Barbara Jordan, black and now confined to a wheelchair with multiple sclerosis, delivered a soaring, cadenced civics lecture, in its way as memorable as the address she gave in the same arena to the 1976 convention when a congresswoman from Texas.

As a formal speaker, Mr Bradley still lacks the necessary attributes of timing and delivery. He swallows his good lines and talks on when his audience is applauding.



HATS OFF, IT'S PARTY TIME: A Broadway show's chorus took the stage at the opening of the Democratic convention

There are other considerations. First, one speech does not necessarily a political summer or winter make. Mr Mario Cuomo gave a great one to the 1984 convention and is still only governor of New York; Governor Bill Clinton delivered a terrible one to the 1988 convention and is about to be the Democratic presidential nominee.

Second, there was, as ever, substance to the Bradley speech. The theme – facing up to collective responsibilities rather than indulging in "individual thrills" – is not new for him, but he is developing it all the time. It is one that is not easily reduced to slogans.

"What we face is a crisis of meaning," he said in one of his pithier passages. "Without meaning, there can be no hope; without hope there can be no struggle, and without struggle there can be no personal betterment. Individualism degenerates into greed without agreement on its limits. The microchip may be faster than the human brain but it isn't connected to a heart. A new drug might defeat a disease but it won't eradicate hatred."

Or, again on a more hopeful note: "It is sometimes said Americans lack a sense of tragic life. It would be more correct to say that Americans are not content to let tragedy have the last word. The United States is history's greatest experiment in the elimination of despair."

This is the sort of reflective philosophy that political conventions are not accustomed to hear. Add to them Barbara Jordan's reflections – the need for equality of sacrifice, including social entitlement programmes, the impermissibility of racism, be it black or white, and the imperative of valuing reason over emotion in assessing character – and it cannot be said that the Democrats were sent home to bed with nothing to think about.

The vague sense of dislocation is that this was not the intended dual theme of the first night. One part of this was to be a lot of Bush-bashing, to which Mr Bradley ponderously contributed. Perot-pulverising, however, was much less in the score, though there was some of it from Governor Miller. The Democrats have worked out that the Bush-Perot conflict helps them.

The other element was to demonstrate that this is no longer a party of pot-smoking, draft-dodging subversives – not in living memory have its delegates been presented with such an orgy of flag-waving patriotism, derived from Republican choreography.

Emotions were wound up not, as in days of yore, by the haunting and socially-conscious songs of Woody Guthrie (This Land is Your Land) and by gospel choirs, but by a succession of marching and big bands straight out of high school and Las Vegas floor shows. This was designed as a celebration of America, marred only by the fact that a whole line of white tubas was clearly emblazoned with the name of their Japanese manufacturer.

Dissent was also dismissed with Republican efficiency. When 600-odd delegates began chanting "let Jerry speak" on behalf of the former governor of California, the other Brown, Ron, the party chairman, moved briskly to other business. It will require an act of some magnanimity for the Californian to be permitted to address the convention. Mr Nelson Mandela, who is to speak tonight, was much easier to fit in at short notice.

Hardly a word was heard from the podium that might embarrass the party nominee. Barbara Boxer, running for the Senate from California, got in a dig at the free trade agreement with Mexico, which Mr Clinton basically supports, and Mr David Dinkins, New York mayor, went further than Mr Clinton in demanding that US cities be rebuilt before those in Russia.

But that was about it. Unless Mr Cuomo, who is to nominate Mr Clinton tonight, publicly urges him to come clean and raise taxes, as he did on television on Sunday, departure from the party line is not scripted.

The delegates responded to this new direction. They cheered at every invocation of their national spirit and at every imprecation against the Republicans. The Idaho delegation leader epitomised the spirit of the night by declaring that he was from "the state which knows how to spell potato" (which Vice-President Dan Quayle does not).

In this mood, they might have expected something more rollicking from Bill Bradley. When he talked, so did they, among themselves, which is standard practice most of the time, but not necessarily in front of keynote speakers in prime televised time. It took a Jordanesque gift of oratory to make them listen.

It was indeed a first night which, for all that its target was middle-America, was not without its subtle contradictions. Mr Clinton will have to square them when he speaks before the final curtain.

PRI snatches victory from its own defeat

Damian Fraser looks at Mexican democracy after a PAN triumph

THE ruling Institutional Revolutionary Party (PRI) in Mexico has lost only its second election for a governorship in more than 60 years – yet, for President Carlos Salinas, the elections on Sunday could hardly have gone better.

The party lost the northern border state of Chihuahua, but did so to the conservative National Action Party (PAN). This should both strengthen the government's democratic image and the faction in the PAN which is conciliatory towards the PRI.

Furthermore, the PRI – in power nationally for 63 consecutive years – appears to have defeated the left-leaning Party of Democratic Revolution (PRD) for the governorship in Michoacán, home state of Mr Cuauhtémoc Cárdenas, the PRD's founder.

The government's plan, said Miguel Angel Granados Chapas, a political commentator in La Jornada newspaper, has been to "present Cárdenas as an unviable option for the 1994 presidential elections by showing him incapable of leading his party to victory in his own state."

This appears to have been accomplished. Also, the weekend results should further widen the gulf between PAN and the PRD, an important government objective over the past three years.

The electoral authorities report the PRI with 50.9 per cent of the vote in Michoacán, against 34 per cent for the PRD, with 76 per cent of the vote counted.

In Chihuahua, the PAN has 51 per cent, against 42 per cent for the PRI, with 56 per cent counted. Mr Francisco Barrio Terrazas has claimed the governorship for the centre-right PAN, after alleging he was robbed of the job after a 1986 election. Cheering Barrio supporters took to the streets after the weekend election.

Even so, the way in which the PRI defeated the PRD in Michoacán casts doubt on the government's commitment to a fairer, more open political system. Frederico Reyes Heroles, editor of the respected political magazine Este País, put it thus: "The controlled media, illegitimate resources, indiscriminate support, legislation and agencies – all under the thumb of the executive and its officials – turn the [electoral] contests into fiction."

The PRD claims that the government party fiddled the electoral roll, outspent it 50:1 and, through its control of the state's electoral machinery, inflated its vote. Mr Ricardo Pascoe, PRD spokesman, described the electoral process has "fraught with irregularities". The PRD is still claiming victory, and post-electoral tension is expected.

Widespread fraud, characteristic of previous Mexican elections, did not occur on Sunday, partly due to the government's tough new electoral law. Many of the PRD's charges of fraud are by now little more than an automatic response to its own weak electoral showing.

However, the party's central complaint that it had to compete "against the whole apparatus of the state" may have more validity. The PRI used money from Solidarity, the government's anti-poverty campaign, to undercut support for the opposition. Michoacán will receive the equivalent of $275m in Solidarity money this year, three times the national average per head. Solidarity's emblem of the national colours is almost indistinguishable from that of the ruling party.

The campaign was one of the most expensive and sophisticated undertaken by the government party, which set up a huge organisation of paid and voluntary cadres, culminating in 72,000 vote-promoters, each of whom was expected to deliver 10 votes on election day. Good performers were promised free holidays.

The government tried to turn the campaign into a contest between their pro-business candidate, Mr Eduardo Villaseñor, and the PRD, in which it succeeded in more ways than one. While he travelled in a borrowed helicopter, or one of three aeroplanes, the PRD made do with three minivans, and some Volkswagen Beetles. Almost without exception, the media in the state supported Mr Villaseñor, giving little coverage to the PRD.

President Salinas seems in no hurry to dismantle the apparatus that makes it difficult to compete fairly with the government party. This month, he said that he had made "a cautious reform, no less profound, but careful in the sense we are not going to provoke splits nor run the risk of breakages".

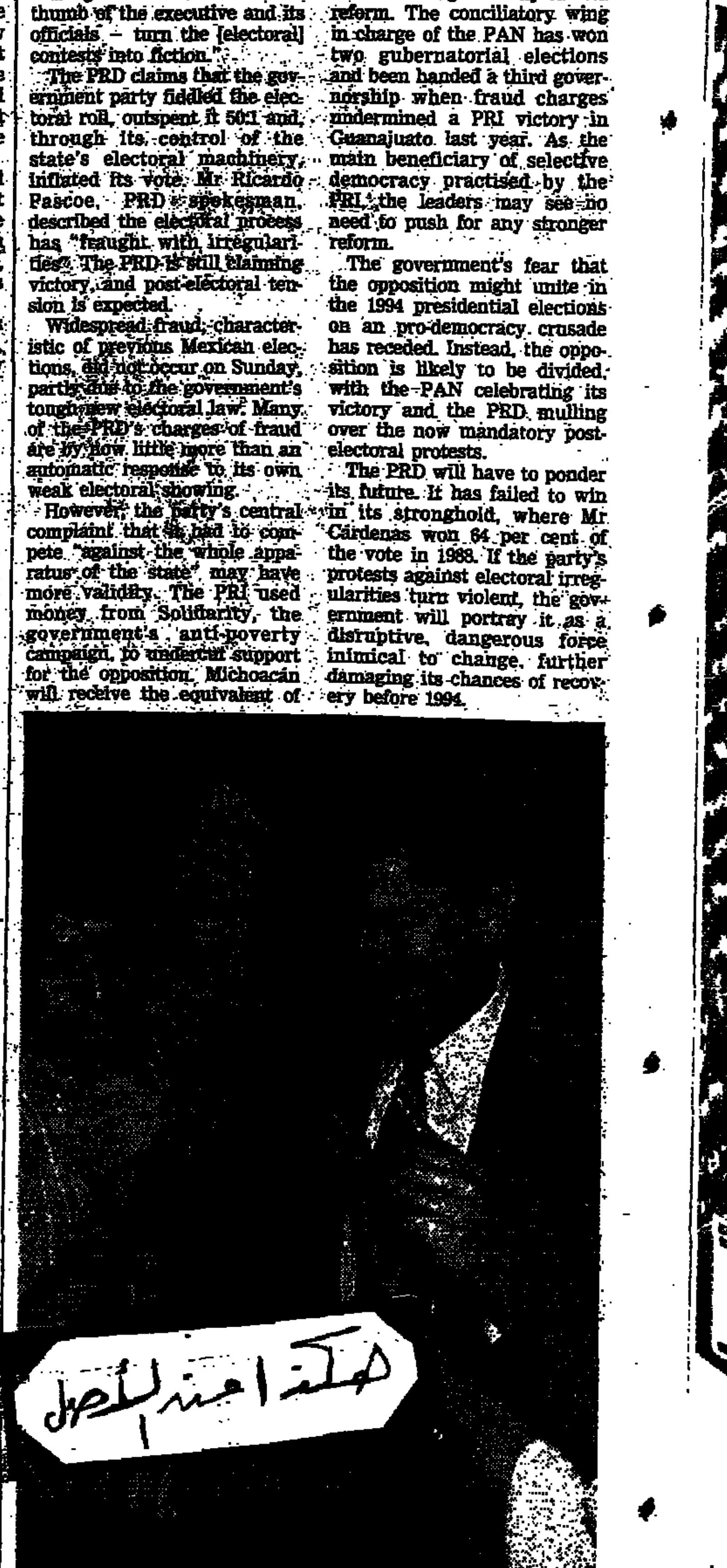
The president, most analysts have now concluded, has decided to preserve the PRI, not just because he fears damaging divisions, but because it has proved very effective at winning elections.

The party is being reformed, with old corporate sectors being turned into regional voluntary organisations. As Michoacán showed, greater emphasis on regional, rather than corporate organisation, helps deliver the vote.

Because of the PAN victory in Chihuahua, it is easier for the president to hold out against any radical reform. The conciliatory wing in charge of the PAN has won two gubernatorial elections and been handed a third governorship when fraud charges undermined a PRI victory in Guanajuato last year. As the main beneficiary of selective democracy practised by the PRI, the leaders may see no need to push for any stronger reform.

The government's fear that the opposition might unite in the 1994 presidential elections on an pro-democracy crusade has receded. Instead, the opposition is likely to be divided, with the PAN celebrating its victory and the PRD mulling over the now mandatory post-electoral protests.

The PRD will have to ponder its future. It has failed to win in its stronghold, where Mr Cárdenas won 64 per cent of the vote in 1988. If the party's protests against electoral irregularities turn violent, the government will portray it as a disruptive, dangerous force inimical to change, further damaging its chances of recovery before 1994.



Francisco Barrio Terrazas is congratulated by supporters after claiming victory in Chihuahua state

Hillary in battle for cookie vote

By George Graham in New York

THIS MAY be the year of the woman candidate in US politics, but not much has changed for male candidates' wives.

The Democratic party has sought to use its convention in New York to showcase its impressive roster of female candidates for this autumn's elections, capitalising on the spreading belief that the white, male homogeneity of US political institutions desperately needs a change.

A surge of interest in the issues of sexual harassment and abortion has increased the focus on women candidates.

Sexual harassment moved to the top of the political agenda during last year's challenge by Professor Anita Hill to the Supreme Court nomination of Judge Clarence Thomas; it has been kept there by the continuing investigation into assaults on women officers at a Navy pilots' convention.

Nor has attention on abortion faded after the Supreme Court's mixed decision on the issue late last month.

On Monday Senator Barbara Mikulski of Maryland, one of only two women with the 98 men in the Senate, introduced some of her party's strongest contenders for Senate elections in November: candidates such as Ms Lynn Yeakel in Pennsylvania, Ms Barbara Boxer and Ms Dianne Feinstein in California, and Ms Carol Moseley Braun in Illinois.

Yesterday Governor Bill Clinton, the Democrat's presumptive presidential candidate, said he believed the party also had realistic chances with Ms Jean Lloyd-Jones in Iowa and in Kansas, where Ms Gloria O'Dell is challenging Senator Bob Dole, the Republican leader in the Senate.

But, at the same time, Mrs Hillary Clinton was busy trying to fade into a traditional soft-focus pose as Mr Clinton's wife.

Women candidates may be allowed minds and careers of their own, but Mrs Clinton, who has both, wants voters to think first of her cookies.

She was accused of alienating traditional homemakers earlier this year with a barbed remark about staying home and baking. Now, however, she is fighting for the cookie vote in a bake-off against Mrs Barbara Bush, arranged by Good Housekeeping magazine.

Mrs Clinton claims her recipe is more "democratic" because it uses vegetable shortening rather than butter, and is appealing to convention delegates, through teeth that some observers describe as "barely unclenched", to back her in the contest.

It has not escaped some women delegates' notice that there is a certain incongruity between efforts to break one mould by bringing women candidates to the fore, while at the same time pushing Mrs Clinton back into another.

Clinton plays to women's gallery

By Jurek Martin in New York

THE Clinton-Gore ticket, cruising to overwhelming endorsement by the Democratic party this week, played to its strengths yesterday.

Mr Clinton's only scheduled public appearance was in front of the Democratic women's political caucus, already potentially swelled by the addition of six women candidates for the Senate, 34 for the House, and, as the prospective nominee said, with the prospect of more to come.

The Arkansas governor laid out his feminists credentials. "I am the grandson of a working woman, the son of a single mother, the husband of a working wife who earns far more than I and the father of a daughter who wants to build space stations in the sky." He added: "I have learned that building up women does not diminish men."

But the biggest applause was reserved for his commitment to defend freedom of reproductive choice ("being pro-choice is very different from being pro-abortion") and for his assertion that the country needed "not just a new generation of leadership, but a new gender of leadership".

Senator Al Gore took his well-known commitment to the environment to a meeting of environmentalists. President George Bush's performance at the Rio de Janeiro earth summit, which he had also attended, was "a disgrace".

The focus on both issues made sense because yesterday the convention reserved its principal business for the party platform. Although Mr Clinton was accosted by anti-abortion activists on his morning jog and though Governor Robert Casey of Pennsylvania insists on speaking out against abortion, the party itself is united in committing itself to freedom of reproductive choice and greater concern for the environment.

To the extent that dissent exists outside former Governor Jerry Brown's band of insurgents, it is on economic and trade policy. Governor Mario Cuomo of New York is on record as recommending that Mr Clinton should admit a tax increase might be necessary, while Mr Paul Tsongas continues to grouse a bit that not enough is being done to promote more investment.

Mr Clinton himself made one marginal hedge in policy in a TV interview, by at least allowing for the possibility that the wealthiest Americans might have to pay a bit more in social security taxes. But, unlike the British Labour Party, he was careful to avoid specifics.

Equally, now that he has abandoned his earlier promise of a middle-class tax cut, he is also not keen to entertain talk of any income tax increases.

Raising fun to a new standard

By Alan Friedman in New York

DO DEMOCRATS have more fun? If they don't, it's not for want of trying.

On Monday afternoon, just as the party's convention was being gavelled to order at Madison Square Garden, more than 500 of the 5,000 delegates seemed far more interested in making merry.

The scene was a huge white carnival tent beneath the Brooklyn Bridge, where Senator John Breaux, a dapper good ol' boy from the bayou country of Louisiana, found himself surrounded by beautiful blondes, carnival clowns in pale blue satin and raucous bands that played pure Dixie as the party faithful attacked plates piled high with blackened catfish and crab fritters.

The Brooklyn bash, just one of dozens of convention-related parties this week, saw Governor Bill Clinton's army of supporters keenly intent on imbibing an ocean of alcohol.

The music played, the sweltering July sun bore down on the crowd, the din became a roar and Brooklyn's borough president extolled the virtues of cheesecake, Coney Island hot dogs and the Democratic party.

The party faithful, however, were busy with their vigorous pursuit of the fun side of "Fun City".

The 45-year-old Senator Breaux, neatly sidestepping oil industry lobbyists and besotted delegates in Hawaiian shirts, addressed himself to the issue at hand.

'There's fun. There's a whole lotta fun. And then there's Louisiana fun. We closed down the Tatou Club early this morning and we're still at it'

"You have to understand that we have raised fun to a new standard this week. There's fun. There's a whole lotta fun. And then there's Louisiana fun. We closed down the Tatou Club early this morning and we're still at it," he explained.

The ever-salacious New York Post newspaper was meanwhile spot on as its three-inch headlines screamed PARTY TIME! and proceeded to tell the story of how go-go dancers from a strip bar called Goldfingers shed their bikini tops before cheering Democrats as they cruised around Madison Square Garden on a flatbed truck.

The incessant partying, which was already under way at the weekend, took delegates on a roller-coaster series of taxi rides from socially conscious "minority" festivities in Harlem to funky gatherings in Greenwich Village, from select soirées on the Upper East Side to dives on the Lower East Side.

The Tatou, a midtown night club where Mr Clinton recently played his saxophone, was everybody's favourite. Less popular was the black-tie Texas All-Star Gala on Sunday night at the trendy Supper Club in the theatre district. "The highlight of that event," said one weary congressional staffer from Oklahoma, "was getting out of there."

While the rank and file guzzled beer, the well-heeled and well-connected sipped champagne at the A-list events. Chief among these was party stalwart Pamela Harriman's Waldorf Astoria function in honour of Bob Strauss, the Democratic power broker turned Bush administration ambassador to Moscow. Equally coveted was an invitation to the $1,000-a-ticket gathering at Mayor David Dinkins' digs, starring newlyweds Senator Edward Kennedy and Victoria Reggie, just in from Hyannisport.

Sandwiched between the élite and the street were the numerous cocktail parties for state delegations.

Senator Jeff Bingaman of New Mexico was the featured attraction at one such party, in Greenwich Village's Minetta Tavern.

Mr Tom Udall, New Mexico's attorney-general, explained why he was attending so many parties this week: "The reason is to keep my wife from shopping all the time." At this point the attorney-general's wife took your correspondent aside and whispered her bottom line: "I'm going shopping anyway."

US consumer prices increase moderately in June

US consumer prices rose a moderate 0.3 per cent in June, the government said yesterday, providing new evidence that the sluggish economy is keeping inflation in check, Reuter reports from Washington.

The government also said retail sales rose 0.5 per cent last month, almost entirely because of a surge in new-car sales.

The Labour Department said the increase in prices at the retail level compared with a 0.1 per cent gain in May. Last month's rise reflected a jump in the cost of energy, partly offset by falling prices for clothing and other goods.

The increase in sales followed a revised gain of 0.4 per cent in May, the Commerce Department said. But excluding cars, sales barely rose 0.1 per cent in June after a 0.2 per cent gain in May, suggesting consumers remain cautious about making large purchases.

A sustained pick-up in consumer spending is considered vital for a broad recovery in the US economy as purchases of goods and services fuel about two-thirds of economic activity.

Bush, Salinas seek Nafta accord

By Nancy Dunne in Washington and Damian Fraser in Mexico City

PRESIDENTS George Bush and Carlos Salinas de Gortari were to meet yesterday with their trade ministers in San Diego, California, to iron out the most troublesome bilateral issues in the negotiations for a North American Free Trade Agreement (Nafta).

But in a major concession, Mexico has agreed to open up its oil sector to "performance contracts," according to a report in El Financiero newspaper.

Under a "performance contract", an independent oil driller is paid an additional premium if he strikes oil. At present Mexico only countenances "service contracts", where the driller is paid a flat fee irrespective of the oil he finds.

Mr George Baker of the University of California described the change in Mexico's position as the most significant event in the history of Mexican oil for 50 years.

This concession is a compromise between the US insistence that oil be opened up on a risk basis – where the successful driller assumes ownership of part of the oil he finds – and Mexico's view that such an opening would violate its nationalist constitution.

Many oil companies prefer to operate on a risk, or failing that performance, basis, which gives them greater control over their operations.

Also likely on the agenda for the two presidents is a recent controversial US Supreme Court ruling, which upheld the kidnapping of a Mexican doctor. Dr Humberto Alvarez Machain is now awaiting trial in Los Angeles for his alleged role in the torture of a US drug enforcement agent.

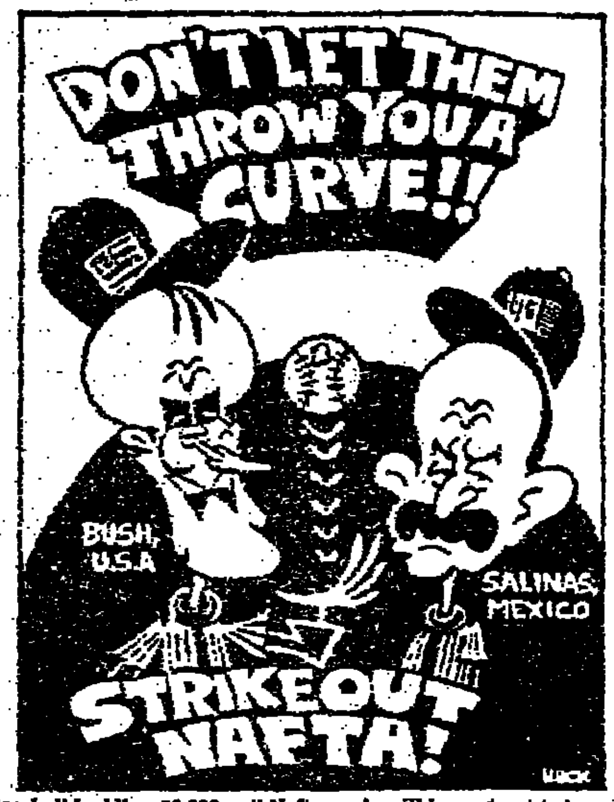
The chief trade negotiators of the US, Canada and Mexico – the intended members of Nafta – last week held a marathon series of meetings which ran into Saturday, but progress was slow. Mr John Weekes, Canada's chief negotiator, said on Friday he was "a bit disappointed."

Differences over government procurement, energy, market access, agriculture and rules of origin have plagued the talks.

Congress must be given at least 90 calendar days' notice of the President's intention to enter into a trade agreement. The leaders could then have a high-profile signing of the accord before Mr Bush must face the voters on November 3.

Following their meeting, the two presidents are due to attend the All-Star baseball game. There they will be immortalised on the cover of 50,000 baseball cards, distributed by anti-Nafta groups.

The two presidents are shown wearing baseball uniforms with the slogan, "Don't let them throw you a curve ball, strike out Nafta."



Baseball buddies: 50,000 anti-Nafta cards will be sent out today

Scots seek Taiwanese investment

A SCOTTISH Office minister is to visit Taiwan in September to try to persuade Taiwanese companies to bring inward investment projects to Scotland, writes James Buxton.

Mr Allan Stewart, Scottish industry minister, will be the first minister from a UK territorial ministry to visit Taiwan.

Mr Stewart's visit is being described as a private visit in response to a Taiwanese invitation.

This procedure is used to avoid offending China and because the UK has no diplomatic relations with Taiwan.

No Taiwanese investments have yet been established in Scotland.

In November 1990, Delta Electronics, a manufacturer of power supply equipment for electronic products, announced it was set up a plant at Inchinnan near Glasgow which could eventually employ 570 people. However, the project was subsequently frozen and is thought unlikely to be revived.

Mr Stewart, who is spending five days in Taiwan, said he did not expect his visit would lead to immediate announcements of new projects.

Passenger aircraft industry in tailspin

Daniel Green examines a rapid decline in values

A WORLD glut of passenger aircraft is sending aircraft prices into a tail spin and threatening the expansion plans of aircraft makers, airlines and aircraft leasing companies.

Evidence for a slide in aircraft values is mounting. Earlier this year, a one-year-old Boeing 737 was for sale at an asking price of about £27m. The price seemed reasonable, considering it cost £30m when new. It sold for less than £23m. That seller was desperate; most would rather put their property into storage.

There are about 800 civil airliners parked on desert runways in the southwestern US, safe from corrosion. They represent about 10 per cent of the western world's passenger jet fleet, and at new prices, comprise about $25bn (£13bn) of non-performing assets.

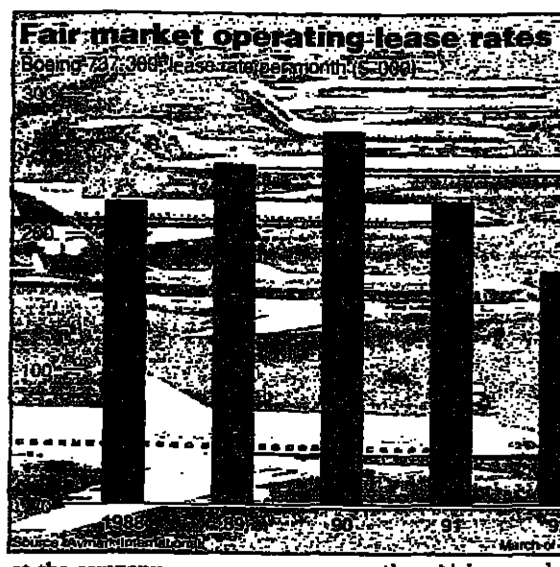
This makes bad reading for investors. The industry increasingly depends on the financial sector to provide capital to buy aircraft. Failure of last month's equity flotation by GPA Group, the world's largest aircraft leasing company, was partly due to the soft market for used aircraft. GPA makes more from selling aircraft it has owned for a few years than from leasing them.

Investors did not have to rely on anecdotal evidence. Apart from storing aircraft, airlines have been trying to lease them. The result has been a decline in lease rates.

The monthly payments for leasing a Boeing 737, the world's biggest-selling passenger aircraft, are up to 22 per cent less than than a year ago, according to Avmark, an Anglo-US aviation consultancy.

The effect is widespread: 67 of the 69 passenger aircraft types have seen lease rates fall during the last year by up to 47 per cent.

The fall has steadied in recent weeks, according to the Los Angeles-based International Lease Financing, the second biggest aircraft leaser after GPA. "It could just be the summer season," says Mr John Plueger, a senior vice-president at the company.



If manufacturers have been under pressure to cut the price of new aircraft in response to oversupply in the secondhand market, they are not showing it. They have resisted price cuts on new aircraft, arguing that the apparently unstoppable growth of air traffic determines pricing policies.

That growth ended last year; the first for decades to show a decline in passenger numbers. Boeing, Airbus and McDonnell-Douglas, the companies which dominate passenger aircraft sales, have found ways to help struggling customers.

They are more accommodating when airlines request deferred delivery dates and there is talk of special loans or other inducements.

"Aircraft manufacturers may now be forced to cut prices," says Mr Keith McMullan, of Avmark. "Then they would have to concentrate more on production economies on their current models rather than going for new models."

The process has begun. Last month McDonnell-Douglas, the third biggest civil aircraft maker, all but abandoned plans to build the MD-12, a 500-seater designed to be the first of a new generation of ultra-large aircraft. In the last few months, Airbus and Boeing have said they will be cutting jobs and slowing production.

Strong airlines stand to benefit from the over-capacity among manufacturers. Those in a position to buy will get lower prices and pay lower operating charges. Weaker airlines may be locked into lease payments at older, higher prices. They would have to compete with rivals paying less for newer aircraft.

Weak and small airlines may also suffer from GPA's failed share offering. They have used the buying power of GPA to cut the cost of aircraft and help them compete with larger airlines. Without the proceeds from its share sale, GPA may have to cancel some orders.

Last week, it announced that it had cancelled plans to buy-in its joint venture companies to avoid bringing $1.2bn (£640m) of extra borrowings on to its balance sheet. Cancelled orders are more than simply a matter of slower growth. They mean losing bulk discounts and incurring penalties. GPA's customers could bear the brunt of the resulting higher costs.

City stockbroker Kleinwort Benson says that the smaller airlines will come under increasing pressure and that some will drop out. "Ultimately there will be a stronger airline industry."

Trade explosion propels Mercosur towards reality

By John Barham in Buenos Aires

POLITICAL and economic instability in Brazil may yet scuttle attempts to form a common market in South America, or at least delay the January 1 1995 deadline for implanting a single market to be known as Mercosur between Argentina, Brazil, Paraguay and Uruguay.

None the less, an explosion in trade, cross-border business links, falling trade barriers and continuous advance in dull, but vital, regulatory harmonisation are giving integration a dynamic of its own. Companies ranging from multinationals to small local companies are assuming sooner or later Mercosur will become a reality. This perception is in turn accelerating integration.

Mr Jorge Bustamante, director of Merchant Bankers Asociados, a Buenos Aires investment bank, says: "The impact of Mercosur here will be dramatic. [Brazil] may postpone matters, but people are taking Mercosur into account."

The car industry began integrating operations in Brazil and Argentina in 1985. It is unlikely that Argentina's car industry could have survived without access to Brazil's market. All big car and component industries in the two countries are now integrating operations and sharing capacity.

Integration is becoming a question of life or death for smaller players. In Argentina's industrial city of Cordoba, most companies have links with Brazil. Georgalos, a chocolate maker, has linked with Brazil's Lacta to exchange products and technology. Links between the two countries' service industry, farmers and financial systems are also growing stronger.

These trends are reflected in the trade figures. In 1985, trade between the four Mercosur countries added up to $3.82bn (£199m). By 1991, trade was $10.60bn, accounting for 13 per cent of their total trade, even though huge obstacles to trade still exist.

US foments beer war with Canada

By Frances Williams in Geneva

THE beer war between the US and Canada was intensified yesterday when Washington demanded authorisation from the General Agreement on Tariffs and Trade to retaliate against its northern neighbour for discriminating against imports of US beer. The US said it was seeking to recoup damage to US brewers of about $80m a year.

A US complaint against discriminatory practices by state liquor boards in Canada was upheld by a Gatt disputes panel last September. In April, following earlier US threats of retaliation, the two sides said they had reached agreement on giving US brewers easier access to the Canadian market. At the meeting yesterday of Gatt's governing council, Washington accused Canada of deliberately trying to circumvent the panel's findings.

The US is particularly angry about two practices by the province of Ontario – a beer pricing system by the monopoly state liquor board, which includes a handling charge for imported beer, and a tax rise on non-refillable containers for alcoholic drinks.

Earlier, the Gatt council approved a six-month extension, till end-June 1993, of Mr Arthur Dunkel's term of office as director-general.

NEWS: INTERNATIONAL

Beijing hardliner backs reforms

ONE OF China's most hardline communist ideologues, Li Ximing, has made a public statement strongly in favour of reform, **Reuter reports from Beijing.**

Li, who is party chief for Beijing, was quoted in an article which carried his name in yesterday's Beijing Daily that economic change should be speeded up along capitalist lines and that left-wing thinking should be resisted. His statement echoes instructions issued recently by Deng Xiaoping, the country's senior leader.

Western diplomats and Chinese observers have long viewed Li as an unashamed Maoist and there had been suggestions in the capital that he would soon be removed. He is a member of the Politburo and is seen as a close associate of Li Peng, the prime minister.

His article, a lengthy report summarising a meeting of Beijing's Communist party standing committee, is a signal that left-wingers fear Deng's campaign is unstoppable.

Deng has said that those who do not support reform must step aside. One by one, ideologues within the party have given support to Deng's policies. Li is by far the most strident hardliner so far to step into line.

Diplomats say Deng's opponents have been weakened by the deaths over the past few months of several leading communist traditionalists. They say the opponents fear for their positions during a period of intense back-room dealing at Communist party headquarters in the run-up to the crucial 14th party congress later this year.

Separately, China's labour minister, Ruan Chongwu, warned that unemployment will rise as the nation carries out economic reforms. According to the New China News Agency, Ruan said China's employment policy, which ensures cradle-to-grave job security, should be overhauled.

Ruan gave no figure for the number of unemployed, but he said China's urban industries had a surplus labour force of over 10m, while the number of surplus rural workers stood at more than 100m.

"The central government must encourage the development of the labour market and competitive mechanisms to control labour and employment for all Chinese citizens," Ruan was quoted as saying.

The China Daily newspaper quoted him as saying that urban unemployment should be limited to 3.5 per cent, or about 5m people.

French open Vietnam bank

FRANCE'S Banque Indosuez yesterday became the first foreign bank to open a branch in Vietnam, **Reuter reports from Hanoi.**

Banque Indosuez, one of five French banks with representative offices in Vietnam, opened in the nation's commercial hub, Ho Chi Minh City (Saigon). Representative offices have not been allowed in the past to carry out full banking business.

Thailand's Bangkok Bank was scheduled to open a branch today, local newspapers reported.

As part of an attempt to fuel foreign investment and help modernise the banking system, Vietnam has given branch approval to four other banks – Crédit Lyonnais, Banque Nationale de Paris, Banque Française du Commerce Extérieur, all French, and the Australia and New Zealand Banking Group.

Name-dropper who haunts corporate Japan

The head of one of Tokyo's credit information agencies is enjoying the recession, writes **Robert Thomson**

"Haven't you forgotten something?"

THESE polite words of warning come courtesy of Mr Eiji Tamaki: "Please read this letter. If you do not answer, your name will be registered on a computer, and it will be difficult for you to get a loan, credit or a lease. If you have already paid, please forgive us."

Mr Tamaki's credit information and collection business, Consumer Credit Clearance, is prospering in inverse proportion to the woes of corporate Japan in these debt-burdened days.

Having built the company by studiously following the advice of a weathered 1959 US manual, Starting and Managing a Small Credit Base and Collection Service, the effervescent Mr Tamaki has discovered that his time has come in 1990s Japan.

New clients have increased by more than 20 per cent over the past six months and Mr Tamaki smiles genially as he tells, with a blend of wonderment and satisfaction, that his recent customers have included some of Japan's better known companies.

"I can't tell you who they are. We have to be discreet in this business. But I never thought these companies would come to me for help. As a matter of face, they don't want to admit to these debt problems, but they can't wait any longer." Mr Tamaki also smiles broadly when suggesting that his birth in 1929, the year of the crash, destined him to a life in credit research. In the late 1980s, Japanese banks, consumer credit companies, and department stores were more intent on finding new clients than on checking creditworthiness.

Those years of excess have returned to haunt financial institutions. Last year, personal bankruptcies rose to 23,287 from 11,273 a year earlier, and the liabilities of failed businesses jumped from Y1,996bn (£8.35bn) to Y8,149bn. Banks are under extreme pressure to accept delayed payments from troubled companies, whose property and securities collateral has evaporated as magically as it appeared. These are fertile fields for debt collection, but the mainstream industry's growth has been restricted by a general awareness that debt collecting in Japan is done by the *yakuza*, or gangsters, whose methods are less polite than Mr Tamaki's letters.

A spate of loan-sharking and strong-arm collecting by gangsters a decade ago prompted the government to introduce the Consumer Lending Act, which outlined acceptable methods of collection and redefined the boundaries for Mr Tamaki's credit operations. "People can see my hands. I have all my fingers," said Mr Tamaki, referring to the missing little finger that often identifies gang members. Not long after its founding in 1969, CCC received threats from gangs, which saw Mr Tamaki moving in on their territory, and he still occasionally gets a call from a gangster type. "We just give our address and make clear to them that our office is directly opposite Kojimachi police station."

The legislation a decade ago limited collection for profit to lawyers, but Mr Tamaki has got round that restriction by establishing a separate "voluntary membership union" which takes fees of 30-40 per cent of money recovered for its 5,000 members.

But Mr Tamaki's real achievement is building a data base that gives the company leverage over the debtors of his client companies. There are four other credit information companies, but by specialising in bad debts, CCC is able to warn a delinquent consumer that he or she will soon be given a spot on Japan's largest credit blacklist. Having watched debts mount and companies crumble, Mr Tamaki is amazed at the laxity of corporate Japan: "Companies have just jumbled all their uncollectable loans together and reported them as loan assets. They know there are serious problems, but no one wants to take responsibility for them." A reason more companies are turning to CCC, he said, is that "bubble era" executives have retired or resigned and the new management is less reluctant to highlight the sins of the past. One of those sins has been to provide too much credit to consumers poorly educated in its dangers.

The non-profit Japan Credit Counselling Association assists consumers who are tangled in credit.

Small investors and shoppers have been left exposed by the ebbing tide of the Japanese economy, as overtime payments have fallen, and collateral (such as stock holdings and golf club memberships) has collapsed.

Calls to the association rose from 2,929 in 1990 to 5,243 in the fiscal year to the end of March. In the first quarter this year, there were 1,887 inquiries, with the average caller a young man or woman between 20 and 29 years owing a total of Y5m (£20,900) to 11 separate companies.

None of this is news to Mr Tamaki, who explained that the loan-sharking of a decade ago generally claimed working-class victims, but the credit boom of the late 1980s has left debts spread across society.

"We really are making money," Mr Tamaki explained. "But it is a bit difficult to find young people who want to work in debt collection. People still think it's only the business of the gangsters."

Botha set to offer new policy package

By Michael Holman and Philip Gawith in Johannesburg

MR Pik Botha, the South African foreign minister, is expected to set out a package of measures designed to curb political violence and break the stalemate in constitutional talks when he addresses an emergency session of the United Nations security council tonight.

Mr Botha will be among leading South African politicians, including Mr Nelson Mandela, the African National Congress (ANC) president, and Chief Mangosuthu Buthelezi, head of the Inkatha Freedom party, to address the session, which opens today.

At the same time, Mr Botha is expected to elaborate on President F W de Klerk's recent suggestion that international observers might have a role to play in efforts to curb the violence, which led to last month's ANC withdrawal from constitutional talks.

The government is not expected to oppose Mr Mandela's call for a UN representative to make a fact-finding visit to South Africa. But it is likely to resist the ANC leader's suggestion that such a visit should be followed by despatch of a UN mission to monitor violence, drawing a distinction between a small group of observers and a large UN force playing a more active role.

Both sides have stressed the significance of the UN occasion, but from very different perspectives.

Government officials pointed out that what was once inconceivable has been made possible overnight: leaders of homelands and black minority parties have been given a platform at the UN.

Their presence will be used to underline Pretoria's argument that a post-apartheid constitution must reflect the concerns and interests of black as well as white voters concerned about minority rights.

For its part the ANC sees today's proceedings as an important step towards direct international involvement in the South African crisis, something the world community has rejected until now.

Meanwhile, efforts to avert serious industrial disruption continued as the South African South African Co-ordinating Committee on Labour (Saccola), a body which represents South Africa's big employers, distanced itself from reports claiming it had lent its weight to key ANC demands, including the need for early moves towards an interim government and elections for a constitution-making body.

The reports come amid efforts between Saccola and Cosatu, the trade union grouping, to reach an agreement which would head off next month's planned general strike.

Mr Bokkie Botha, chairman of Saccola, said in a statement that speculation about talks had created "dangerously wrong impressions".

See editorial comment

Lebanese budget to hit spending

THE Lebanese government said yesterday it was cutting public spending and studying plans to sell off some state services to rescue the economy, Reuter reports from Beirut.

Mr Michel Samaha, the information minister, said public spending for 1992 would not exceed 1,930bn Lebanese pounds (£570m) while revenue was expected to be 1,200bn pounds.

"Bringing back financial and fiscal stability is very vital to regaining confidence in the economy and currency," Mr Samaha said. The previous government was toppled on May 6 by street protests against the economic crisis.

In a draft 1992 budget, the government had forecast its revenues at 867bn pounds for the year. Speaking after a four-hour cabinet meeting, Mr Samaha said the government had decided to reduce the public sector deficit from 56 per cent of overall spending in 1991 to 38 per cent this year. Public sector deficits averaged 80 per cent of expenditures between 1984 and 1991.

Mr Samaha said that the government planned to slash the deficit to 20 per cent of total spending in the second half of 1992, from 54 per cent of total spending in the first half of this year. He said the cabinet was studying plans to privatise services such as electricity and telecommunications, partially or totally, and would discuss with foreign organisations setting up a fund to support the currency.

Despite the end of the civil war in 1990, Lebanon has failed to attract sufficient foreign aid and investment to bring the economy back to life and repair war damage estimated at $15bn (£7.8bn).

Arabs suspicious of Rabin's approach

Israel's enemies have quickly lost their post-election optimism, writes **Hugh Carnegy**

WHEN Mr Yitzhak Rabin won Israel's general election last month, Palestine Liberation Organisation chairman Yassir Arafat said exultantly: "The Israeli public has voted against war and the terrorism of Shamir."

By last Saturday, however, Mr Arafat had changed his tune, saying he did not see Mr Rabin as different from Yitzhak Shamir, the former Prime Minister.

Other statements by Arab leaders – notably from Syria – have sounded a similar note of scepticism over whether Mr Rabin, leader of the Labour party, will offer anything more of substance to the Arabs than did Mr Shamir and his hardline Likud party government, despite his offers to exchange peace missions and to accelerate the Middle East peace talks. But there is no doubt that Mr Rabin has a very different approach to peace making than Mr Shamir. It is almost certainly because they recognise the challenges this will present to them that Palestinian and other Arab leaders have begun to back off from their initial optimism about his election.

Above all, Mr Rabin is a pragmatist who has never shared Mr Shamir's ideological commitment to perpetual Israeli control of Eretz Israel – the biblical land of Israel that includes the occupied West Bank and Gaza Strip. In his final speech as prime minister on Monday, Mr Shamir bitterly attacked Mr Rabin on this very issue.

Although he avoided saying so during the election campaign, Mr Rabin also recognises that Israel cannot afford to defy the immense changes in the world of the past several years – notably the disappearance of the Soviet Union and its influence in the Arab world.

Yitzhak Rabin on the attack in the Knesset late Monday

"It is our duty to see the world as it is now, to discern its dangers, explore its prospects and do everything possible so that the State of Israel will fit into this world whose face is changing.

"No longer are we necessarily 'a people that dwells alone', and no longer is it true that 'the whole world is against us'," Mr Rabin said in a pointed rejoinder to the siege mentality of Mr Shamir.

Unlike Mr Shamir, Mr Rabin believes Israel must trade occupied land in exchange for peace and is ready to curb Jewish settlements there.

He insists on keeping Jerusalem and other so-far unspecified areas he deems vital for Israel's security, which he will continue to settle. Labour party policy does not yet accept an independent Palestinian state in the West Bank and Gaza. These are big problems for the Arabs. But the acceptance in principle of the "land for peace" formula provides a far sounder basis for progress in negotiations than did Mr Shamir's adamant rejection of it.

Under the terms of the Madrid peace talks, however, the final status of the occupied territories is not yet the subject of negotiation. First, there is to be a five-year interim period of Palestinian self-government as a transitional phase.

Here, again, Mr Rabin is offering the Palestinians significantly more than Mr Shamir. He is proposing to base the interim arrangements on those outlined in the Camp David accords between Israel and Egypt of 1978; Mr Shamir said he was not willing to go as far as the Camp David proposals, offering instead only "municipal autonomy" – in practice not much more than the right to collect rubbish.

Mr Rabin is offering the Palestinians elections to a self-governing authority that will take over everyday administration in the West Bank and Gaza from the Israeli military and the withdrawal of Israeli troops from main population centres.

Paradoxically, Mr Rabin's more forthcoming approach has unsettled the Arabs. Firstly, having benefited from the chill that afflicted US-Israeli relations under Mr Shamir, Arab leaders are now afraid of a revived US-Israel front that will put them under great pressure to make concessions. The US, after all, brokered Camp David. For their part, the Palestinians, who until last year rejected the Camp David formula outright, are already objecting to Mr Rabin's general outline (detailed proposals will not be made until peace talks resume in Rome, probably in early September).

They oppose his intention to keep direct authority over the Jewish settlements, security, foreign relations and all frontiers. Palestinian negotiators are especially concerned about their ability to win popular support for an interim agreement which will inevitably limit the scope of Palestinian self-rule.

While all Palestinians were agreed in rejecting Mr Shamir's offer, dangerous splits are already in evidence over how to deal with Mr Rabin.

Mr James Baker, US secretary of state, will arrive in Israel on Sunday to begin a tour of the region aimed at relaunching Middle East peace talks following the election of a new Israeli government under Prime Minister Yitzhak Rabin, Hugh Carnegy reports from Jerusalem.

Mr Rabin, who wants to speed up the talks, said yesterday on his first day in office that he was optimistic about a speedy restoration of US-Israeli relations which cooled under his predecessor, Mr Yitzhak Shamir. He said he had spoken by telephone to President Bush and Mr Baker. Mr Avraham Shochat, the new finance minister, referring to his government's bid to win $10bn (£5.2bn) in US loan guarantees, previously blocked over Jewish settlement expansion in the occupied territories, said Mr Baker's visit was of economic as well as political significance.

Sudanese army takes rebel HQ

SUDANESE government forces have captured the main base of the rebel Sudan People's Liberation Army at Torit near the Ugandan border, Khartoum radio announced yesterday, Reuter reports from Khartoum.

The radio quoted Sudan's military ruler Gen Omar Hassan al-Bashir as saying government troops entered the town, which the SPLA had held since 1989, on Monday afternoon.

In Nairobi, an SPLA spokesman said troops had captured the guerrillas' headquarters in Torit and the town was now under siege by the rebels. "We withdrew our forces from Torit yesterday and we have laid siege to it. The government forces will be annihilated," he said.

The SPLA has been rebelling against what it sees as domination by the Moslem Arabised north over the mainly Christian and animist south.

Sudan's Islamic government has captured more than a dozen towns since its forces mounted a dry season offensive against the southern rebels in March.

The rebels say the Khartoum government is trying to make southern Sudanese accept Islamic laws and have been fighting for some autonomy and a secular state.

As news of the army victory spread, people took to the streets of Khartoum shouting Allahu Akbar (God is great).

United Nations World Investment Report

Transnationals pace the growth track

By Edward Balls

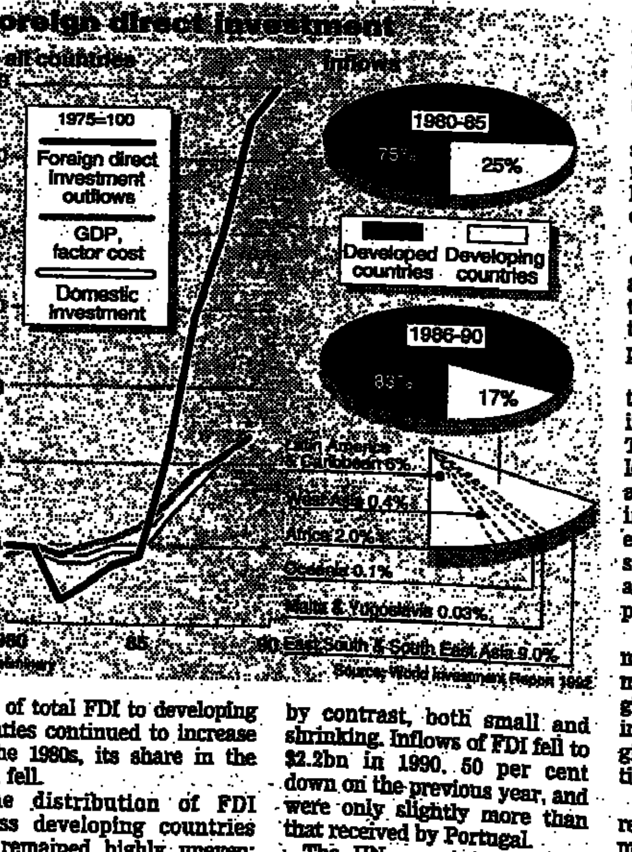
MULTINATIONAL companies, far from being the gloved hand of first world imperialism, are an important source of economic growth for developing countries, at least those countries lucky enough to share in their largesse.

This is the message of the second World Investment Report, published today by the United Nations Department of Economic and Social Development. Entitled "Transnational Corporations as Engines of Growth", the UN study concludes that foreign direct investment by transnational companies is fast overtaking international trade as the driving force behind the globalisation of the world economy.

Global foreign direct investment flows rose rapidly during the second half of the 1980s, growing four times faster than domestic output and 2½ times as fast as exports. The total stock of foreign direct investment world wide now stands at $1.7 trillion (million million) with annual flows in 1990 amounting to $225bn.

The bulk of this investment originates in developed countries, which also attract more than four fifths of total outflows, with the EC, US and Japan together accounting for 70 per cent of world inflows.

Developing countries have been losing out in the race to attract this growing source of new investment. While the volume of total FDI to developing counties continued to increase in the 1980s, its share in the total fell.



The distribution of FDI across developing countries has remained highly uneven; and those countries receiving the largest shares have tended to post the fastest economic growth rates. East and south Asia together received 53 per cent of the total FDI inflow in 1986-1990.

Africa's share in total FDI is, by contrast, both small and shrinking. Inflows of FDI fell to $2.2bn in 1990, 50 per cent down on the previous year, and were only slightly more than that received by Portugal.

The UN report identifies a number of ways in which direct investment by multinationals may speed economic development in developing countries:

- Capital formation: while FDI constitutes only a small share of total domestic investment it often constitutes a larger share of investment in key growth industries such as consumer durables and high technology manufacturing;
- Technology transfer: the share of high or medium research-intensive industries has increased as a proportion of total sales in the last decade;
- Trade: US manufacturing affiliates in developing countries exported 33 per cent of their output in 1989, up from 22 per cent in 1982.

These growth benefits tend to accrue to middle and high income developing countries. The growth requirements of low income countries – higher agricultural productivity, basic infrastructure and increased educational and nutritional standards – are marginal activities of transnational corporations.

As a result, the UN fears that many developing countries may become increasingly marginalised because of their non-inclusion in the global strategies of transnational corporations.

To counter this risk the UN report calls for the establishment of a multilateral foreign direct investment facility as a tripartite venture between host, home and transnational corporations to alleviate imbalances in FDI flows.

World Investment Report 1992. UN Publications, Rm DR2/853, United Nations, New York NY10017. Price: $45.

Fall in output fuels doubts over recovery

By Peter Norman, Economics Correspondent

A DROP in production of cars and chemicals and material for the building industry caused a surprise fall in UK manufacturing output in May, adding to doubts over the prospects for economic recovery.

Contrary to City expectations of unchanged production, the Central Statistical Office yesterday reported that manufacturing output declined by 0.6 per cent in May compared with April.

Output of the energy and water industries fell by 2.2 per cent in the month, to result in a 0.9 per cent drop in overall industrial production.

The seasonally-adjusted data for May provide further evidence that Mr John Major's election victory failed to boost economic activity. Figures for the latest three months, which the government considers a better guide to recent trends, painted only a marginally more favourable picture. According to the CSO, the latest estimate of trend growth in manufacturing output is 0.5 per cent a year.

Inflation as measured by prices of manufactured goods at the factory gate failed to show a decline last month, disappointing hopes of a further easing in cost pressures.

The Central Statistical Office said the prices of products leaving factories rose by 3.6 per cent in the year to June, the same as in May. This measure is often taken as an indicator of underlying or "core" inflation in the economy.

Manufacturing output between March and May was 0.6 per cent higher than in the December to February period, but 0.9 per cent lower than in March to May last year.

Within manufacturing, yesterday's statistics showed a 0.7 per cent increase in consumer goods output between the two latest three-month periods, while production of investment goods grew 0.2 per cent and output of intermediate goods dropped by 1.1 per cent.

The metals, engineering and allied industries, textile and clothing and "other manufacturing" industries, which include paper and publishing, increased their output by about 1 per cent in the March to May period compared with December to February.

Food output was unchanged while drink and tobacco production rose by 1.3 per cent.

Chemicals, a strong performer last year, saw a 0.5 per cent drop in output between the two three-month periods. Despite a fall in production in May, car output between March and May was 7.4 per cent higher than between December and February.

UK to urge end to coal and steel levy

By Alison Smith

THE UK government is to use its presidency of the European Community to target the levy on EC coal and steel for early abolition.

Mr Michael Heseltine, trade and industry secretary, will press for agreement to phase out the levy sooner than 2002 when it is scheduled to end.

The department of trade and industry has come under pressure from both British Steel and British Coal to see the end of the tax which amounts to about 0.3 per cent of the value of what is produced. The levy dates from the treaty of Paris in 1952, which set up the European Coal and Steel Community – forerunner of the European Community itself.

Some £500m has accumulated in the fund, which is used to finance tasks such as research and development, retraining and job replacement.

Mr Smith fails to fill the house

By David Goodhart, Labour Editor

IN THE US the Democrats can still elect a leader in a packed hall full of people who look pleased, even excited, about what they are doing.

The opposition Labour Party will this Saturday elect Mr John Smith as leader of Britain's main opposition party in a half-empty hall full of people wondering what they are doing there. Quite a few rather important people will not even bother to attend.

The AEEU engineering and electrical union is sending six delegates to the meeting of the electoral college in the giant Royal Horticultural Hall compared with the 70-plus that would normally be sent to an annual Labour conference.

The National Union of Mineworkers is sending just one delegate.

The unions, which account for 40 per cent of the electoral college, will be heavily outnumbered by the 650 delegates from the constituency parties, which have 30 per cent of the vote and the 270 Labour MP's, who also have 30 per cent, and who have to attend in person for their votes to count.

For a party that has been accused of relying too much on glitz and trade unions a sharp reduction in both might be counted a blessing.

Right-wing unions are also irritated by the unnecessary cost of the day. Mr Paul Gallagher, leader of the electricians sections of the AEEU, says the voting could have been done by post. "It will prove an extremely expensive ballot box and the money could have been better used for other things," says Mr Jordan.

Scottish sword-play, Page 14

Britain in brief

ITV's choice for top job turns it down

ITV must restart its search for a network chief executive because the candidate who was offered the job changed his mind and turned it down.

The offer of the most important job in commercial television, managing a £500m a year budget was made to a director of a publishing company three weeks ago. The job is worth more than £250,000 a year including pension.

Setback for Lloyd's in US

LLOYD'S OF London has suffered a setback in its legal battle with some Names – individuals whose assets back underwriting at the market.

Last week Judge Morris Lasker the US District Court for the Southern District of New York issued a restraining order, temporarily preventing Lloyd's from pursuing lawsuits against two Names.

Lloyd's has issued the writs in a bid to force the Names to pay cash calls needed to pay insurance losses.

The order will remain in force until August 19. The Names are among a group of 110 who have sued a range of interests at Lloyd's.

The group alleges that Lloyd's violated US securities laws by inducing them to participate in syndicates trading at the market.

Nucor drops Scottish plans

The last hope of reviving steel production in Scotland has vanished with the decision of Nucor, the US steel producer and pioneer of thin slab casting, not to go ahead with a plan to develop a steel plant at Hunterston on the Firth of Clyde.

Golden age: the Silver Link locomotive leaving King's Cross in 1935, when competition from motor vehicles was increasing

Watered-down plan sees stations for sale and passenger franchises

Step-by-step sell-off plan for BR

By Richard Tomkins, Transport Correspondent

THE government yesterday published its long-delayed policy document (white paper) on the future of British Rail paving the way for a step-by-step privatisation starting as early as next summer.

Mr John MacGregor, transport secretary, said the proposals comprised the most radical changes to Britain's railways since nationalisation in 1948.

However, the 21-page document set out only the basic framework of a process which seems set to leave BR in charge of much of the passenger railway to the end of the decade and beyond.

Mr MacGregor said it was impossible to predict when privatisation would be complete, but confirmed that it would not be within the five-year lifetime of the present parliament.

The white paper was originally due to have appeared in December last year, but became bogged down in embarrassing ministerial differences about the best way to proceed.

The end-result is a watered-down version of the proposals first put forward by the last transport secretary and containing little detail about how the privatisation goals are to be achieved.

The biggest immediate change is unlikely to be perceived by passengers. BR will be split into two, with one part owning the tracks, and the other running the trains.

The government will then attempt to privatise the train services. But only the freight services will be sold outright: the passenger services will be contracted out under franchise.

The white paper gives few details about how or when the franchises will be offered. Mr MacGregor said there would be 30 to 40 of them, and that franchising would be carried out "flexibly and progressively."

Legislation paving the way for the changes will be introduced in November. If Royal Assent is obtained the following summer, the first freight services could be privatised almost immediately, but the first passenger services are unlikely to be franchised before spring 1994.

The white paper also provides for the private sector to get involved in running stations. Some might be rented to franchisees, it says, and the government may also be prepared to consider other selling or leasing arrangements.

Would-be train operators reacted with interest to the proposals, though most will want to see how much BR proposes to charge for the use of its tracks before making pursuing the idea.

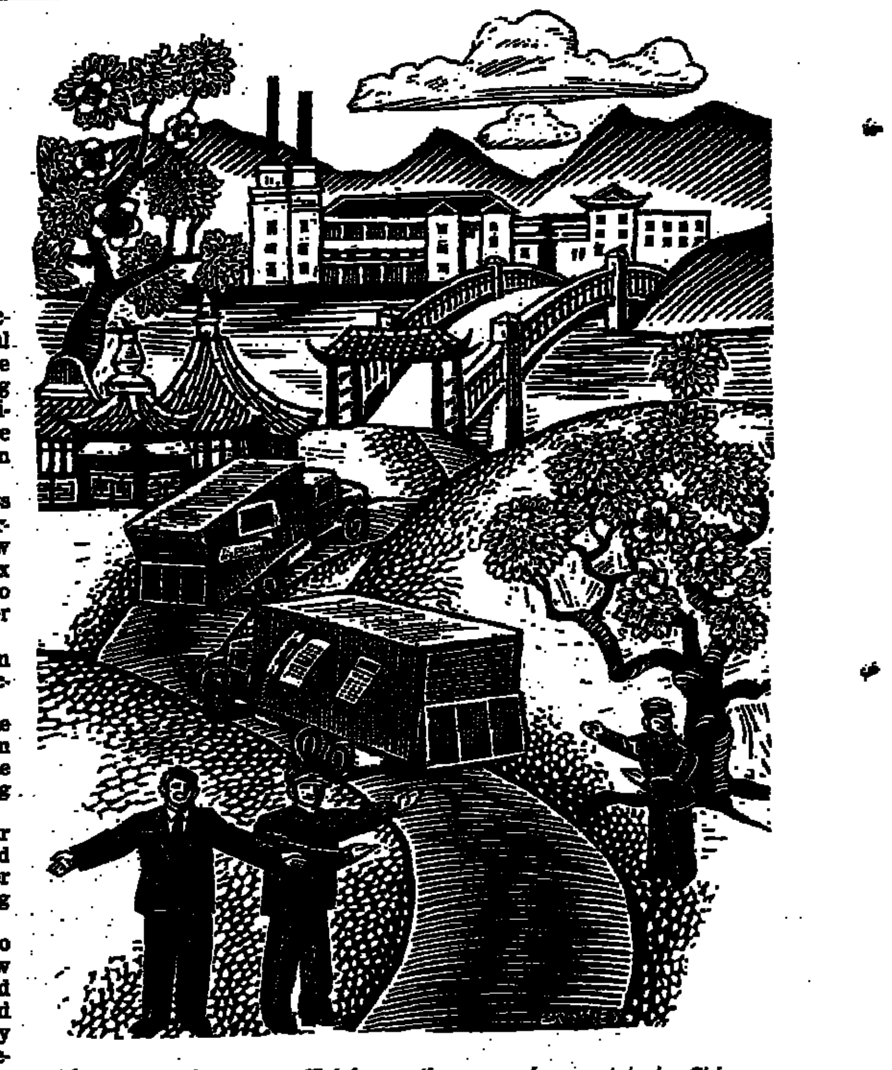
The white paper was also welcomed by Tory MPs, though some qualified their enthusiasm with reservations about the time the benefits would take to show through.

But Mr John Prescott, Labour's spokesman, predicted a contraction in rail services, saying the white paper was "ripe for exploitation by property speculators, route operators bribed by public subsidies, and inevitably by the Tories' City friends."

MANAGEMENT

Increasing numbers of Hong Kong manufacturing companies are leaving the colony in pursuit of cheap land and labour. **Simon Holberton** reports

The China syndrome



"WE USED to enjoy taking people over our factories, but not so much now," says William Ho, finance director of Video Technologies (Vtech), a Hong Kong-based manufacturer of computers, telecommunications and educational toys. "They are so empty."

Ho looks along a line of women assembling and testing "mother boards" for the company's latest desktop computer and says: "We'll be moving this all to China in the near future. We will then use the space for conference rooms and places for customers to meet our salesmen."

At another company, Steven Lam, managing director of Truly Electronics, a toys, calculators and much else besides manufacturer, is in full flight, extolling the industry of his fellow Chiu Chow compatriots. "Working 10 hours in a day is nothing for a Chiu Chow person; 16, 17, 18 hours a day is more normal; and no holidays," he says.

In 1984, Lam set up a factory in Shanwei, a town on the south coast of the Chiu Chow-speaking region of Guangdong which boarders Fujian province. His family comes from the town and his 72-year-old father, Tam Tak Ming, has resettled there to oversee a burgeoning family business which today employs 3,500 people.

A quiet business revolution is underway in southern China. In the continuing search for lower costs and higher productivity, a new division of labour is being created. Hong Kong's manufacturers are exporting their production facilities wholesale to Guangdong, the province of China which borders the colony.

Truly moved all its manufacturing capacity to Shanwei in 1988. Currently Vtech makes 95 per cent of its toys and educational games in Dongguan, south-east of Guangzhou (Canton), 50 per cent of its telecommunications equipment and 30 per cent (soon to be 70 per cent) of its computers there. These manufacturers, and thousands like them, are taking advantage of the cheap land and labour in southern China, and the new-found willingness of the communist Chinese to permit capitalist enterprise in the mainland.

Truly recently acquired a 99-year lease on 2.2m square feet of land adjacent to its present factory in Shanwei for $1.2m (£620,000). "The land is virtually free of charge," says Joe Lok, Truly's finance director. He points out that in Hong Kong, Truly would spend more than that in rent in less than two years.

The cost of labour is also a fraction of Hong Kong levels. Vtech employs 6,500 workers at its factories in Dongguan. Many come from other provinces so it undertakes to house and feed *all* the people it employs. In addition to wages, it also pays a per capita management fee to the Dongguan authorities. The total of all the costs comes to HK$700 (£47) a worker a month - just 23 per cent of the wage bill for a similar worker in Hong Kong.

But costs are not the only reason for locating in Guangdong. The local authorities do not interfere in the running of factories and are less stringent about health, safety and environmental limits to corporate growth.

"Contractually, Vtech subcontracts the assembly of its products to the factory which is owned by Dongguan Foreign Investment Development Corporation," says Ho. "Practically, they don't have any people there; it's all run by us."

China is seen as a source of cheap labour – which is it – but "cheap" also suggests lack of skill. Not so, say Vtech and Truly.

Vtech has hired 70 engineers who have recently graduated from some of China's top universities. For Alan Wong, Vtech's chairman and founder, "one of the biggest resources in China that is overlooked is its large pool of good engineers.

"Engineers are our biggest need. Product cycles are getting shorter and shorter and you need a lot of engineers to turn out new products and ideas. You can't do that in Europe and the US because engineers are so expensive."

Vtech pays its local engineers Yuan 800 (£76) a month – three times what they would earn if employed by one of China's state industries. Similarly, Truly's factory in Shanwei is managed by local people; only the top engineers come from abroad. There are 14 Hong Kong engineers and six Swiss engineers advising on the manufacture of parts for watches which are then exported to Switzerland.

Truly owns Ernst Borel, a Swiss watch manufacturer, and it is marrying Swiss engineering to the low costs of southern China. The six Swiss engineers are in China to teach local engineers the finer points of watch making.

But doing business in China, even for the Chinese, is not always successful.

Vtech first dipped its toe in the water with a HK$10m investment in Shenzhen, a special economic zone which runs the length of the Hong Kong-China boarder, but it failed.

"Our partner was a northerner who followed too many rules and red tape," says Ho, a southerner who was born and bred in Hong Kong.

"The first moment we talked to the Dongguan authorities we saw that they were open minded and very business-like. They impressed us from the very first meeting. They also came to us when the agreements were ready to be signed; our previous partner had asked us to go to him to sign."

Relationships, or *guangxi*, are key to doing business in Guangdong, and China more generally. Truly has gone as far as to have a dedicated team, consisting of seven executives – one of whom was a senior communist party official – who do nothing other that make and cement relationships with government officials throughout China.

"Everything is relationships; without relationships you can't do anything," says Lam. "If you are not a local person you can't make relationships. If you want to invest there, you have got to be Chinese. Communication is easier and city officials prefer to deal with Chinese.

"When we want to develop a city, then we send the team there first. In the south if you send an official a television set, he will turn up his nose; in the north they are content with a radio."

Industrial power house in Guangdong

In less than a decade, Guangdong has changed from a mainly agricultural economy to an industrial power house to rival Shanghai as China's premier location for manufacturing. Hong Kong's transformation has been equally rapid. It has switched from a significant manufacturing-based economy to one which is daily becoming more service-based.

"What Hong Kong has is management, research and development, engineering and marketing. The major decisions will continue to be taken here," says Alan Wong, chairman of Vtech.

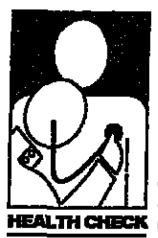
Chinese figures show that Hong Kong dominates foreign investment in southern China. At the end of 1990, there were 22,500 enterprises in Guangdong in which Hong Kong and Macao businessmen had invested – accounting for some 77 per cent of foreign-funded businesses.

These companies have invested $11bn (£5.7bn) – some 56 per cent of total investment in the region – and employ directly, or indirectly, an estimated 3m workers. However, as a recent survey by the Federation of Hong Kong Industries underlines, the investment by Hong Kong companies in southern China is relatively small-scale.

The federation reckons that more than 60 per cent of Hong Kong companies in the Pearl River region have invested less than HK$10m, (£670,000) and for many, the investment is as little as HK$1m to HK$5m.

Keep a finger on the pulse to avoid hypertension

Dr Michael McGannon says beware the doctor or nurse who sends your heartbeat racing



HEALTH CHECK

Hypertension is one of the most common causes of heart attacks and strokes. It is more serious than high blood pressure: it is a silent killer: those at risk may be quite unaware of it.

All adults should know their blood pressure. Those with chronically high blood pressure have five times the chance of developing heart disease as those with normal blood pressure. The ideal pressure is between 90/60 and 130/80. But what do these numbers mean?

As it pumps, the heart contracts, then rests, contracts then rests. During the contraction phase, the pressure generated by the heart is transmitted through the arteries to all organs. This pressure wave, measured by the first number, should be no more than 130. Above that level the pressure may be damaging the arteries, causing them to lose their elasticity and harden – rupture or blockage could result.

During the relaxation phase, the pumping chambers fill with blood for the next volley. The second number measures how well the heart is relaxing: a reading of more than 80 could mean it is not working properly during this phase.

Although blood pressure tends to creep up with age, other things can also raise it. Overweight leads to high blood pressure, as fat is a vascular tissue through which the heart must pump much harder. Stress also contributes through the release of too much adrenalin, while heavy drinking and lack of exercise can make matters worse.

The good news is that high blood pressure can be controlled with no side effects. The first step is proper diagnosis and evaluation; the second is treatment, through changes in both lifestyle and medication.

Do not decide that you have high blood pressure on the basis of one reading. "White-coat hypertension", in which the high blood pressure is actually caused by the doctor or nurse, is not uncommon.

For instance, you may be active, non-smoking, a light drinker, lithe, and handle stress well. But at your annual company check up, your blood pressure is 165/100. As your lifestyle is already blameless, should you be on medication?

The answer is that any high blood pressure reading should be confirmed by at least two further readings, or better still by 24 hour monitoring. Make sure the measurement is taken after at least five minutes of rest, and that you have neither smoked nor drunk alcohol or coffee for at least two hours.

If your blood pressure is still high – an average of at least 140/90 – buy a well-calibrated blood pressure machine from the chemist and take your pressure at home under less stressful conditions.

Once you have confirmed beyond question that you really do have high blood pressure, ask yourself the following questions:

- Do you consume large amounts of salt, fat or alcohol?
- Have you put on a lot of weight in the last year?
- Have you been particularly stressed or sedentary recently?
- Is there diabetes in the family?

If the answer to any of these questions is yes, there may be a good reason for the high reading, and a change in lifestyle could bring it down.

Many executives are initially annoyed to find their blood pressure is up, and later relieved to discover that they were unwittingly placing themselves at risk by getting too fat or drinking too much. Recent studies have shown that lifestyle changes – weight reduction, salt restriction, and cutting down on alcohol – lower blood pressure and make medication more effective. If none of these apply, other measures to consider include: stress management, exercise, giving up smoking, and getting professional advice on your diet.

The author is the medical director of the Insead Business Health course.

BUSINESS AND THE ENVIRONMENT

Recycling group for electronics

To counter the vast amounts of scrap electronics equipment dumped in the UK's landfill sites, the computer and electronics industry is forming a recycling association to promote the reuse and recovery of electronic equipment.

The Industry Council for Electronic and Electrical Equipment Recycling (Icer) brings together electronics companies, retailers and waste disposal experts for the first time in the UK.

"Icer grew out of a report produced by the Centre for the Exploitation for Science and Technology on end-of-life electronics," said Graham Marson, chairman of the new group.

"The companies who have joined already have an interest in being environmentally sensitive and have established environmental policies and strategies. Our diverse interest and backgrounds led us to believe we should work together."

Electronic and computer manufacturers Hewlett-Packard, IBM, ICL, BT, together with retailers Thorn EMI Rentals and Boots have joined the group, which also includes Dow Chemicals and ICI. Waste disposal companies Mann, Mayer Cohen and the Bird Group represent the recycling industry.

According to Marson, Icer will be formally launched this autumn. Membership is open to companies involved in electronics in the widest sense. Boots became involved after considering how best to dispose of the hundreds of old televisions, radios, kettles and toasters returned to its shops which no longer work.

Cest predicts that 6m items of electronic equipment will be dumped into British landfill sites by 1995. The waste will include 120,000 photocopiers, 800,000 personal computers, 1.3m televisions and 2m microwave ovens.

Marson hopes Icer will develop an infrastructure that will make electronics recycling a commercial proposition. Icer will also lobby for what Marson calls "pragmatic legislation" to counter German recycling laws which require electronics companies to take back all their old electronic equipment by 1994.

Simon Vail

The Philippines' investment in geothermal energy is not without its drawbacks, writes **Victor Mallet**

Getting into hot water

Geothermal energy sounds like a heaven-sent answer to two of south east Asia's most pressing problems – electricity shortages and air pollution from the burning of fossil fuels – but the experience of the Philippines demonstrates how even this apparently elegant solution is fraught with environmental obstacles.

Just as the region's shrimp exporters either deplete the sea's natural stocks or destroy coastal mangrove swamps to make way for shrimp farms, so the Philippines must choose between a range of environmentally unsatisfactory options to alleviate its desperate lack of electric power.

Coal-fired power stations in the Philippines have been criticised by nearby residents for polluting the atmosphere and the fields, and a proposed nuclear plant was suspended partly because of fears that it would be prone to earthquake damage.

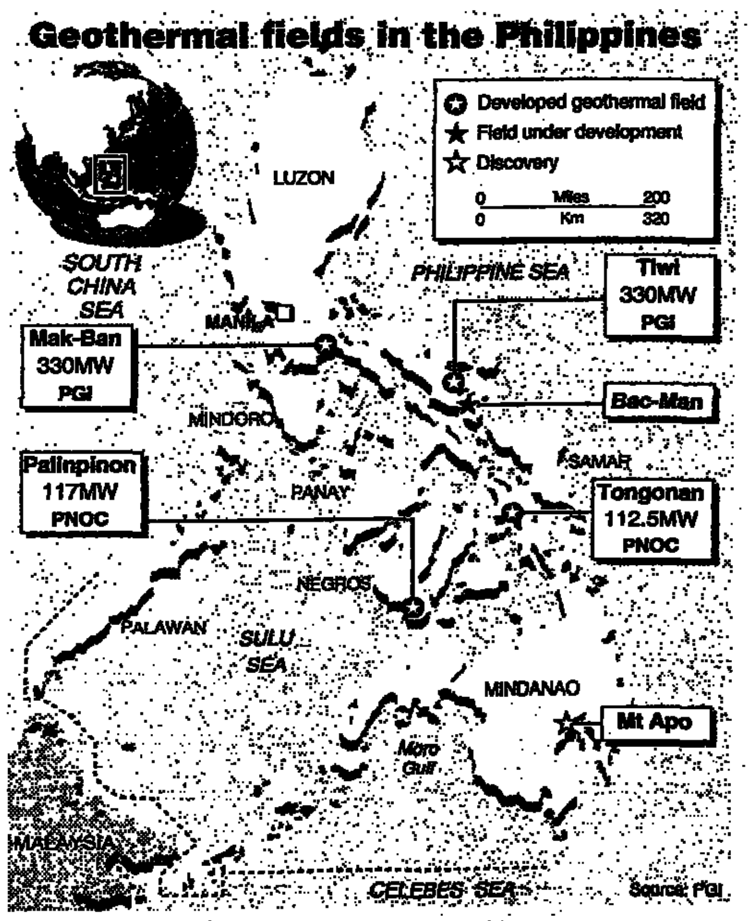
A decision this year to approve the building of a geothermal plant inside a national park regarded as a holy place by local tribes has shown that geothermal energy also has environmental drawbacks.

Exploitation of the earth's subterranean heat holds obvious advantages for the Philippines, which is poor enough to need to reduce its oil imports and rich enough in volcanic activity to make investment in geothermally-produced electricity worthwhile.

The Philippines, with about 20 per cent of its electricity already coming from this source, is the second largest producer of geothermal power after the US. It intends to add 1,600 MW by 2000 to its existing capacity of 889MW. Indonesia also has substantial geothermal potential.

With power cuts up to 12 hours long on the main island of Luzon and on Mindanao in the south, there is no doubting the need for further generating capacity in the Philippines. The previous administration of Corazon Aquino abandoned a 620MW nuclear power station built by Westinghouse of the US under the late dictator Ferdinand Marcos before it was commissioned amid a controversy over safety and alleged corruption, but neglected to order new plants to make up for the electricity shortfall.

It was against this background that the Department of Environment and Natural Resources (DENR), after years of delay, reluctantly issued an environmental *clearance certificate* in January for a 120MW geothermal project inside the Mt Apo national park on Mindanao. The decision angered environmentalists, who argue that it endangers the wildlife in the park, including the rare Philippine eagle, *and negates the whole purpose of* establishing such national reserves.



Geothermal energy, exploited by drilling wells similar to oil wells and drawing out hot subterranean water to run steam turbines, enjoys several environmental and other advantages over alternative sources of electricity. With no combustion required, the plants are more reliable and should release less carbon dioxide into the atmosphere than oil *or coal-fired power stations. Nor are* they affected by the drought which has sharply reduced the output of the Philippines' hydroelectric dams.

They must, however, be built in places with proven geothermal resources – places which may be distant from electricity consumers or, like Mt Apo, environmentally controversial.

Nor are these the only problems. Like oil fields, geothermal fields eventually run out of commercially exploitable energy. Drilling is expensive, turbines are noisy and development of a geothermal field can release unpleasant-smelling hydrogen sulphide and substantial quantities of carbon dioxide.

Nazario Vasquez, vice president for energy of the Philippine National Oil Company (PNOC), acknowledges that the first geothermal projects in the country in the 1970s failed to recognise the problems of water pollution caused by dumping the used underground brine on the surface, complete with substances such as lithium, chlorides and boron which affected local rice crops. Two of the four operational fields are run by PNOC and the other two by Philippine Geothermal Inc (PGI), a subsidiary of Unocal of the US.

At PNOC's Mt Apo project all the fluid will be reinjected into the ground in line with a "zero-discharge policy", Vasquez says. "While before we could just walk into an area and develop it, the [Aquino] government opted to seriously consider environmental clearances." About a third of the 25 to 30 wells will be for reinjection and therefore to help the environment, he says, rejecting suggestions that the reinjection is necessary in any case to maintain the pressure of the fluid reservoir.

Of the 54,000-hectare national park, 701ha has been set aside for the PNOC and only about 100ha will be used, he says, although environmentalists have expressed concern that the road built by PNOC and the future development will open the park up to further degradations by farmers and loggers.

"At the first [exploratory] PNOC well alone, the extent of forest devastation is appalling," wrote Yasmin Arquiza, a journalist and environmental activist, before the PNOC was given the final go-ahead for the project this year. "Trees have been cut down indiscriminately to give way to a sprawling field dotted with corn and cabbage patches."

The tribes, meanwhile, have been bought off. They will receive one centavo per kilowatt hour, equivalent to 7m pesos a year, to be paid into a foundation for the local community and the environment managed jointly by the developers, the DENR, the tribes and non-governmental organisations.

Mt Apo is not the only geothermal site where environmental considerations are coming into play. The PNOC is planning to expand geothermal electricity output from the island of Leyte by at least 440MW, and has calculated that the carbon dioxide expected to be released into the atmosphere from underground can be half absorbed by the trees on the 100,000ha of land it manages there, and half reinjected. To help with environmental costs the company is seeking $30m (£15.7m) in grants and $40m in loans from the Global Environment Fund managed by the World Bank.

Geothermal energy projects may, *in the words of a paper produced by* PGI, "tend to be more environmentally benign than the conventional alternatives", but even geothermal power, it seems, cannot produce electricity without some cost to the environment.

Academic brains go up for sale

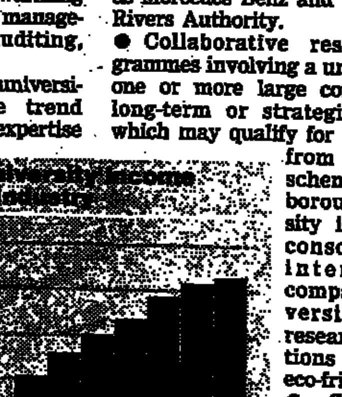
By Hilary de Boerr

Are you uncertain about what to do with your company's hazardous waste? Keen to clean up an unsightly rubbish tip?

Britain's universities are eager to help. The Committee of Vice-Chancellors and Principals is unabashedly touting for business. Its latest environment policy package contains a catalogue* of environmental research achievements and a range of environmental services on offer to British business.

A growing number of universities now offer inter-disciplinary research centres, science parks and limited companies with exploitable resources for industry. Environmental subjects include global warming and water pollution, waste management, environmental auditing, accounting and law.

Financial constraints on universities have hastened the trend towards sharing academic expertise with the outside world. Sheffield University, for example, set up Environmental Consultancy, its advisory unit, in 1986 and now contributes to a range of budgets across the campus. The unit's turnover has increased six-fold since its inception, and the number of clients has risen to about 70 from 16. They include local businesses, quoted companies, government bodies and even local residents. Clients have commissioned work worth anything from an hourly rate to £100,000.



Industry employs the university because its expertise includes access to analytical equipment, library facilities and worldwide databases – and because it represents an independent voice, says Chris Routh, manager of Environmental Consultancy.

The stereotype of the woolly-headed academic is incorrect, he adds. "A lot of people that we use within the university have worked in industry, have practical commercial experience, know what the client wants and know the most cost-effective way of getting the answer for them."

There are many ways in which industry and universities can work together:

- Training courses tailor-made for industrial personnel, conducted at the university or the work place. Brunel University offers a "hands on" course on environmental auditing, while the London School of Economics' geography department runs courses in environmental planning and management, for government, commerce and industry.
- Consultancy contracts for advice on specific or general problems. University of Sheffield's Environmental Consultancy performs environmental audits and advises on land reclamation, with such clients as Mercedes Benz and the National Rivers Authority.
- Collaborative research programmes involving a university and one or more large companies for long-term or strategic research, which may qualify for part-funding from UK or EC schemes. Loughborough University is leading a consortium of international companies, universities and research institutions to develop eco-friendly cars.
- Contract research commissioned from universities to help companies with R&D needs. At Kent University, Viridian Bioprocessing can make a bacterial soup to eat industrial effluent.

Longer-term environmental research is also proving applicable to industry. The University of Stirling advises companies how to cope with the possible effect of global warming on longer-term planning, investment and market share.

Reed beds are being researched at the University of Birmingham for a cost-effective way of treating waters polluted by industrial waste, while at Kent University, scientists have helped the Yorkshire wool industry by using bacteria to break down the harmful pesticides which are washed out of the fleeces.

**Universities Work for the Environment. Available free from CVCP, 29 Tavistock Square, London WC1H 9EZ, 071 387 9231*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come see

FT LAW REPORTS

Surveyor may owe duty of care

THE NICHOLAS H
Queen's Bench Division
(Commercial Court):
Mr Justice Hirst:
July 2 1992

A SHIPS' classification society owes a duty of care capable of giving rise to a liability in damages to cargo-owners if its surveyor's recommendation influences shipowners to sail a defective ship and, as was reasonably foreseeable, she sinks with the cargo on board.

Mr Justice Hirst so held on a preliminary issue in an action by Marc Rich & Co AG, owners of cargo carried on Nicholas H, against the Japanese classification society, Nippon Kaiji Kyokai.

HIS LORDSHIP said the action arose out of the total loss on March 9 1986 of Nicholas H and her cargo on a voyage from Peru and Chile to Italy and the Soviet Union.

The cargo consisted of lead and zinc concentrate owned by Marc Rich. The total pleaded value of the lost cargo was over $8m.

The action was begun against the shipowners and Nippon. The owners sought to limit liability under the Hague Rules, and the claim against them was settled for $500,000. The action against Nippon was for the $5.5m balance.

The claim against Nippon was in tort. The preliminary issue was whether on the facts pleaded Nippon owed a duty of care to Marc Rich capable of giving rise to liability in damages.

For the purposes of the preliminary issue only, the facts were assumed.

The vessel loaded at Callao in Peru and Antofagasta in Chile.

On February 22 1986 she anchored off San Juan, Puerto Rico, with a crack in her hull. Further cracks developed. Arrangements were made for Nippon to survey the vessel at anchor.

The surveyor's report recommended that repairs be carried out at the nearest port prior to sailing to Italy, and that the vessel be retained as classed subject to those conditions.

The recommendation would have involved permanent repairs, for which facilities were available locally.

Temporary repairs were carried out. The shipowners baulked at carrying out the recommended permanent repairs.

The vessel was surveyed again. The surveyor recommended that she proceed to Italy, the repairs to be examined and dealt with as necessary after discharging cargo.

On March 2 the vessel sailed. The following day the temporary repairs cracked. On March 9 she sank with all her cargo. There were no casualties.

Marc Rich alleged that Nippon was negligent in altering the initial recommendation and permitting the vessel to continue her voyage when only temporary repairs had been carried out.

Mr Gross for Marc Rich contended that as a result of recent decisions the law had drawn a clear dividing line between physical damage cases and economic loss cases.

He said that in physical damage cases all the plaintiffs needed to do to establish a duty of care was to prove (i) foreseeability that lack of care might result in harm; and (ii) ownership or appropriate possessory interest in the property physically damaged or lost.

He submitted there was no need to make good the two additional criteria which applied in economic loss cases, namely (iii) proximity and (iv) that it would be "fair, just and reasonable" to impose a duty of care in tort.

If he was wrong on his main submission he submitted he could make good his case on (iii) and (iv) on the assumed facts.

Mr Aikens for Nippon submitted that the general principles stated in economic loss cases were equally applicable to physical damage cases and that (iii) and (iv) applied.

His basic submission was that since a shipowner was under a non-delegable duty as bailee to take care of cargo there was no room for the imposition of a further duty on a classification society.

He argued that Nippon had the closest and most direct relationship with the shipowners, so that the undoubted claim against them and the suggested claim against Nippon were mutually exclusive.

In *Grant v Australian Knitting Mills [1936] AC 85* it was argued by the defendant manufacturers of a defective garment which the plaintiffs had bought from an intermediate retailer, that the contractual relationships covered the whole field and excluded any question of tort liability.

Lord Wright disposed of the argument. He said the claims in contract, based on independent causes of action and different considerations, were irrelevant to the claim in tort. He said "the tort liability is independent of any question of contract".

Though on its different facts *Grant* was not binding, that principle applied in the present case, seeing that the claim against Nippon was a separate cause of action, based on different considerations, and independent of any question of contract.

Mr Aikens's basic submission was rejected.

House of Lords authorities showed clearly that the law had in recent years tended to draw an ever stronger contrast between economic loss and physical loss cases (see *Murphy [1991] 1 AC 398*).

However, it was not accepted that just because general statements of principle appeared in economic loss cases they must invariably be restricted to that class.

So far as proximity was concerned it was clear that in the great majority of physical damage cases (see *Hua Lien [1991] 1 Lloyd's Rep 309, 328*) the duty of care did not give rise to any problem because it was self-evident that a duty existed (eg, in road and factory accident cases).

But having regard to statements in *Caparo [1990] 2 AC 605,617,633* and *Murphy (page 485)*, it seemed clear that proximity was a relevant criterion in physical damage cases, particularly where there was no direct physical contact between the plaintiff and defendant or between vehicles or equipment under their control.

The proximity criterion was essential in the present case, particularly since there was such a wide variety of circumstances where a party not in contractual relationship with Nippon might seek to establish liability and where proximity provided a valuable test for separating the sheep from the goats.

The "fair, just and reasonable" criterion was a relevant test in economic loss cases. The only physical damage case in which it was applied was *Dorset Yacht [1970] AC 1004*, where exceptional public policy considerations existed.

That criterion would be relevant very exceptionally in physical damage cases, and then only if the defendants could establish that public policy considerations required the court to give immunity from a duty of care which would otherwise have been upheld.

On the assumed facts there was a very close degree of proximity between the surveyor and Marc Rich. Although he had no direct physical control over the vessel the decisive influence on the shipowners which his second recommendation must have had, and would reasonably be foreseen to have, was very akin to control.

Therefore, on the assumed facts, a sufficiently close and direct relationship of proximity was established.

That conclusion was based simply on those assumed facts and had no general application to any other situation which might arise between a classification society and cargo-owners or other third parties with whom it was not in contractual relationship.

There were no special public policy considerations which justified application of the "fair, just and reasonable" criterion. If, however, that was wrong, the court was satisfied there was nothing on public policy grounds to debar Marc Rich from making good the duty of care.

On the facts pleaded Nippon did owe Marc Rich a duty of care *capable* of giving rise to a liability in damages.

The word "capable" was emphasised because nothing in the judgment should be interpreted as establishing that Nippon actually owed such a duty of care. The assumed facts were in issue and could only be determined on a full trial after all the evidence had been heard.

For Marc Rich: Mr Peter Gross QC (Lovell White Durrant).

For Nippon: Mr Richard Aikens QC and Jonathan Harvie (Norton Rose).

Rachel Davies
Barrister

PEOPLE

Non-executive directors

■ **Rob Margetts**, chairman and chief executive of Tioxide Group, who was recently appointed to ICI's board, at ENGLISH CHINA CLAYS.

■ **Brian Wenham**, formerly controller of BBC2 and md of BBC Radio, at BMH COMMUNICATIONS.

■ **Jack Nardecchia** has retired from ROSEHAUGH.

■ **Ian Maclellan**, group md of Ibstock Johnsen, at HOWDEN GROUP.

■ **Edward Jeynes** has retired from WHEWAY.

■ **Richard Cole-Hamilton**, chief executive of Clydesdale Bank, at SECURITIES TRUST OF SCOTLAND.

■ **Hugo Schreiber** at BOOSEY & HAWKES.

■ **David Marlow** (above), recently retired chief executive of 3i, at TRINITY INTERNATIONAL HOLDINGS; he succeeds Richard Lindsell who is retiring.

■ **Richard Robinson**, senior partner at Forbes Schroder, at BOSTOCK AND POLLITT.

■ **Trevor Tarring** as chairman at METAL BULLETIN, having retired from the role of executive chairman.

■ **Maurice Hart** as chairman and **Tim Barry** deputy chairman of CHELSEA BUILDING SOCIETY on the retirement of Clifford Hale.

■ **Robin Grant**, a director of Charterhouse Bank, at GARDINER GROUP.

■ **Brian Allison**, founder of the BIS Group, at MICROGEN HOLDINGS.

■ **David Sebire** as chairman of ROBERT H LOWE; Paul Lee, interim chairman has resigned, but remains a non-executive director.

■ **James Walsh**, group finance director of House of Fraser, at MALLETT.

■ **Sir David Rowe-Ham** at TOYE & COMPANY.

■ **David Skinner**, chief executive of the CWS, at The CO-OPERATIVE BANK.

Next steps at Alexander Proudfoot

Alexander Proudfoot, the world's biggest quoted management consultancy, is replacing its chief executive with a committee. Thomas Huhn, the ex-Chicago Bears football player and Proudfoot's group chief executive since 1987, has retired and his responsibilities are being assumed by an expanded management committee.

Neil Hamilton (right), the company's 60-year-old finance director, will chair the management committee. Hamilton says that Huhn had decided that after 32 years of "running for an aeroplane every Monday morning" it was time for someone else to take over.

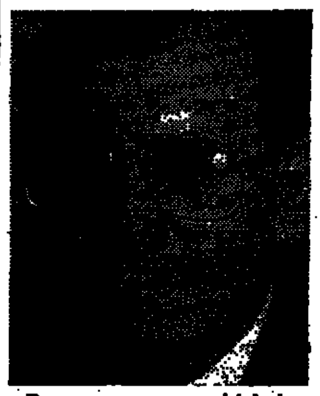
The company says that having undertaken a detailed review of its operations over the past few months, it has now decided to expand the management committee which runs the firm on a day-to-day basis and include those members responsible for the operating performance of its three main geographic regions. Alan Steelman, 46, will be responsible for implementing operational decisions.

Proudfoot, a US firm which got a UK stock market listing after it reversed into Lord Stevens' City and Foreign Holdings in 1987, has managed to buck the recession better than many of its rivals.

At the same time as it announced Huhn's retirement, the company stated that "trading conditions have marginally improved and it is anticipated that earnings per share for the second half of the year will be modestly better than the first".

The company confirmed that based on current trading conditions the dividend will be maintained even though it is likely that earnings cover will be reduced. David Forster of Kleinwort Benson Securities estimates that full year profits will fall by around a fifth to £38m.

The 56-year-old Huhn, who joined Proudfoot in 1961, will continue to serve as a consultant and will assist in the hand-over of selected clients.



■ Does a company which has only two customers, both large and both committed to buying its product on multi-year contracts, need a director of commercial development? SCOTTISH NUCLEAR, the state-owned company which runs Scotland's two nuclear power stations, believes it does and has appointed **Bill Stockdale** (above) to the newly created post.

Stockdale, 46, says part of his job is to develop "commercial awareness" in a company which was carved out of the old South of Scotland Electricity Board and whose market currently consists of Scottish-Power and Scottish Hydro-Electric. "We have to keep improving our performance. We intend to be the very best nuclear generator in the world," he says.

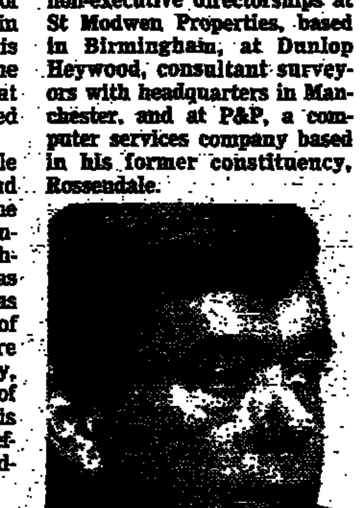
Stockdale will be responsible for new projects, including the implementation of large scale engineering projects at the the Torness and Hunterston B advanced gas cooled reactor (AGR) stations.

He will also be in charge of corporate development, which will cover joint ventures and alliances with other companies, as well as expansion of Scottish Nuclear's business in eastern Europe where it is offering its expertise to the operators of the somewhat questionable Soviet-designed nuclear power stations.

A Yorkshireman, Stockdale trained as an engineer and worked for Foster Wheeler, the US design engineering company, later joining Scottish-Power in Glasgow in 1990 as project group manager. He was briefly managing director of engineering resources where he succeeded Robin Jeffrey, after the latter became ceo of Scottish Nuclear earlier this year. He has now followed Jeffrey to Scottish Nuclear's headquarters in East Kilbride.

■ **Sir David Trippier**, the former environment minister who lost his seat at the general election, has joined the Manchester law firm Halliwell Landau as a consultant. A former deputy chairman of the Conservative party, he was responsible for piloting the Environmental Protection Act through the House and hopes to "add an extra dimension to the quality of advice on environmental issues that the firm already gives its clients".

Since leaving parliament, Sir David (below) has accepted non-executive directorships at St Modwen Properties, based in Birmingham, at Dunlop Heywood, consultant surveyors with headquarters in Manchester, and at P&P, a computer services company based in his former constituency, Rossendale.



LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE No: 006142 of 1992
CHANCERY DIVISION

IN THE MATTER OF UNICHEM PLC
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 18th June, 1992 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the share premium account of the above-named Company in the sum of £75,530,266.55.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Millett at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday, 27th day of July 1992.

ANY Creditor or Shareholder of the Company desiring to oppose the making of an Order for the confirmation of the cancellation of the said share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 15th day of July 1992
RAKISONS
27 Chancery Lane, London WC2A 1NF
Solicitors for the above-named Company

NOTICE OF APPOINTMENT OF LIQUIDATOR
VOLUNTARY WINDING UP CREDITORS
Pursuant to section 109 of the Insolvency Act 1986
Registered Name: MICRONOMY LIMITED
Company Number: 1507236.
Nature of Business: Computer Service Specialists
Address of registered office: 71 Mark Lane London EC3R
Type of Liquidation: Creditors
Liquidator(s): RWJ Long, Robson Rhodes, Bryanston Court, Selden Hill, Hemel Hempstead, Herts. HP2 4TN and I Jacob, Robson Rhodes, 186 City Road, London EC1V 2NU
Office Holder No(s) 6059 2122
Date of appointment: 29th June 1992
By whom appointed: The Creditors
Date: 2nd July 1992

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Office Holder No(s) 6059 2122
Date of appointment: 29th June 1992
By whom appointed: The Creditors
Date: 2nd July 1992

Notice of Appointment of Joint Administrative Receiver
JOHN STEPHENS TRANSPORT LIMITED
Registered number: 2068138. Nature of business: Road Haulage. Trade classification: Road Haulers and Contractors. Date of appointment of Administrative Receivers: 6 July 1992. Name of person appointing the Administrative Receivers: Midland Bank plc. Joint Administrative Receivers: JOSEPH PATRICK CONSIDINE (office holder no 1768) RICHARD ANTHONY SMART (office holder no 2530) Address: Cork Gully, Churchill House, Churchill Way, Cardiff CF1 4XQ

Erasure

THE music is electronic Peer Gynt; the backcloth pine trees and – oddly – pirouetting cygnets. On-stage processes an electronic swan driven by a man in a fluffy white boa and spangly trews. No, not the latest flight of fancy by English National Opera but a rather sedate entrance by Andy Bell, the voice of Erasure.

Erasure are the tabloid version of Pet Shop Boys, a camp duo (the gnome-like Vince Clarke looks after the music) who have been worthily successful with albums that knit up-front lyrics ("A little respect") with disco rhythms, and a commitment to stage spectaculars which thrill the mass market and even get approving nods from the gay community.

At the Hammersmith Odeon for the next week, there is a traditional non-stop variety show. The Pet Shop Boys have similar ambitions, but while their performances look as if they have been modelled on some contemporary Belgian dance theatre troupe, Erasure seem inspired by the late night revues put on at the Gargoyle, or one of those extinct night clubs that catered for Arabs.

The eight dancers stream on in costumes ranging from red plastic to lycra bikinis: and how glad you are to see them. Without the business, the charms of Andy Bell, a Gazza figure without the footballer's wit, would quickly pall.

Bell is my sticking point about the show. I admire a man who performs happily wearing Y-fronts. I liked his sturdy voice. I was almost touched when he slipped on red shoes to sing "Over the rainbow", but could he not manage one witty remark, one less-than-oafish expression.

This apart, Erasure offers one of the best musical tickets in town. Their Abba parody, which has taken them to the top of the charts, is rather tossed away on stage, but there are entertaining cameos. Clarke, who hides his gadgetry inside some kind of mobile farm cart, is intriguing with his poker face and occasional desires to dress as Mae West; the dancers show classical points; the backing singers are identical twins from Mauritius, an obvious plus.

The most successful sequence is a lively cowboy number, when Bell, wearing a tinsely blue outfit designed to show off his bottom, rouses the crowd by singing "Stand by your man". Fun, but somehow predictable.

The audience was packed with happy bopping kids rather than gays, which suggests that Erasure is more committed to pop success than taking camp into yet more outrageous territory.

Antony Thorncroft

Tyne Tees Television

A formidable duo preparing men's just deserts: Rose (Billie Whitelaw) and Jayshree (Madhur Jaffrey) in Firm Friends

Television/Christopher Dunkley

Feminists to a man

SINCE we no longer seem to have the sort of judges who quaver "What are the Beatles?", we really ought to slap a preservation order on Lord Rees-Mogg, who clearly comes from the same club. Peering out from behind those spectacles and speaking in that endearing lisp, he delivers wonderfully potty pronouncements upon television.

His latest corker is the assertion that because television is run largely by men, television drama is dominated by male attitudes and male fantasies, and for evidence he cites the sex scenes in Melvyn Bragg's *A Time To Dance*.

It seems his attention was drawn to this by complaints to his clean-up group. How many complaints? Conveniently he cannot remember. More than 300? "Oh no, less than that". It would not be surprising if it was fewer than 30, since the BBC's monthly aggregation of complaints by category shows that sex comes way down the list, usually outnumbered 20, 30 or 40 times by complaints about scheduling ("Why, oh why must you drop children's programmes to stay with the tennis?").

What the dear old buffer has missed is that even though men do predominate in broadcasting, these days they are feminists to a man, which has a profound effect upon television drama, a fact which could not possibly escape anybody who watched as much television as the average viewer.

From *Coronation Street* to *Clarissa* men are depicted with contempt. They are shown as weak, inept, inferior to women in every way, and simultaneously sexually rapacious and incapable of satisfying women in bed.

If he watched *Eldorado* he would find that the men ranged from wimps to criminals, all of them inadequate, stupid, sly, or incompetent – sometimes all four. Did Lord Rees-Mogg see ITV's excellently acted and produced *Firm Friends* with Billie Whitelaw and Madhur Jaffrey, which treated all men as something that needed scraping off women's shoes? Still, we should not complain too much; the prating peer adds hugely to the sum of national merriment.

■ ■ ■

Disparaging men as a group is, of course, highly fashionable (imagine programmes taking the same attitude to black people) and is unlikely to harm *Eldorado*. The word "flop" has been used widely to describe a first night audience of 6m, a figure undreamed of in the circulation departments of the newspapers using the word.

Twice as many people, we are told, watched ITV's spoiler – the 60-minute *Coronation Street* special. What we are not told, though it must surely be significant now that more than 80 per cent of British homes have video recorders, is how many regular *Street* viewers, who presumably constitute the bulk of *Eldorado's* target audience, were taping the newcomer while watching their old favourite.

No soap opera ever started at the top of the ratings, and the proof of the *Eldorado* pudding will, as usual, be in the eating. Leaving aside the quality of the drama, this promises to be a long term winner. The idea of using the sunny Spanish setting, familiar to so many package-tour Britons, as the permanent location looks shrewd (a perpetual holiday) and the success of the Australian soaps suggests that the teenage element will also be a big attraction.

Whether the BBC ought to be spending £10m a year on such stuff is another question, but 12 months from now, when *Eldorado* is nudging *Coronation Street* at the top of the ratings, the BBC will use it as proof that they do not merely spend the licence fee on pointy-headed drama for a Hampstead minority but serve all the public some of the time.

■ ■ ■

Lord Rees-Mogg has not been the only source of "Shock! Horror!" headlines about television recently. Reports about the current issue of *Cultural Trends* say that, according to its figures from the Policy Studies Institute, viewers are watching four hours a week less television today than they were in 1985. Yet if you consult the figures produced by BARB, the joint BBC/ITV ratings body, you find that the hours viewed in the first week of the month for the first six months of 1985 and 1992 (this year's figures in brackets) are: 34.03 (32.47), 29.44 (29.09), 28.13 (28.59), 27.56 (27.53), 25.19 (26.19) and 22.27 (23.13).

Of course newspapers love "trends" which show television viewing falling, but not only do these figures fail to bear out the claimed trend (over the long term the graph shows a pretty steady rise) but today's figures still exclude the viewing of rented videos.

■ ■ ■

However big the ratings for televised motor racing (and in Britain it seems likely that nationalism is currently a major factor in these figures, thanks to Nigel Mansell's unprecedented success), the sport as spectacle becomes more and more tedious because of the Alice In Wonderland handicapping system.

In a sensible sport such as sailing, you establish which boats go fastest and start them at the back of the fleet so that they have to overtake everyone else to win. In motor racing, as viewers of the British Grand Prix saw on Sunday, they do the opposite, starting the fastest car from the front. The effect, predictably, is a procession in which the fastest car is never passed.

The televising of soccer with its boring nil-nil draws has prompted this column to demand the doubling of goal sizes and the abandonment of goalies in the hope of achieving 50 or 60 goals a match. For the sake of viewers everywhere, perhaps this should be broadened into a Campaign For Sensible Sport, urging that in motor racing the slowest should start first and the fastest last, with enough of a stagger to avoid crashes at the first bend. If they wanted a real contest of driver skills, they could handicap the cars according to their speed – but that might scupper the constructors' championship.

■ ■ ■

Does your heart sink when you are watching a good athletics meeting and the commentator follows an event with the words "Now Charlie Farnsbarns is trackside with my colleague..."? Willy-nilly, the programme comes to a halt and is turned into a chat show, usually a bad one. You can hear athletes parroting coaches and newspaper reporters ("Well, with the Olympics coming up it's gotta be a great morale booster for me" said Colin Jackson during ITV's Crystal Palace programme on Friday), just as you can hear convicts in prison documentaries parroting social workers ("I'm alienated from me dad, see, it's all sibling rivalry, innit?").

If the rule was that interviews with athletes were screened only when they had something original to say we would get 50 per cent more sport in these programmes. Channel 4's *Tour De France* gets it right: they leave the race for about 30 seconds to tell you some odd detail about modern bicycle design or a rider's antecedents, and then dive straight back into the peloton.

■ ■ ■

There are so few programmes of arts criticism on television that almost any addition is welcome, but *Siskel and Ebert*, the cinema series on BBC2, seems a particularly odd choice.

First, one of the few critical programmes we do already have is Barry Norman's excellent *Film 92*, so the time would be better devoted to dance or drama or even television itself, a subject in which the public is rather interested despite the supercilious attitude of many broadcasting executives who tend to watch even less than Lord Rees-Mogg.

Second, Gene Siskel and Roger Ebert make their buddy-buddy programme about new releases for an American network, so they are forever saying "Coming up next..." or "After the break..." which, on BBC2, is absurd because all they can do is fade to black and promptly resume. Moreover talk about a movie being a "CN17 not an R" is meaningless in Britain. Why not *Powell and Andrews* or *Malcolm and Walker*?

Murder by Misadventure

Malcolm Rutherford

HERE IS an old-fashioned comedy thriller of a kind now seldom seen on the West End stage. Written by Edward Taylor, veteran of radio and television scripts including *The Men from the Ministry*, the play has a desperately slow start, but begins to come to life towards the end of the first act and afterwards scarcely looks back.

Greg Hicks's performance as Inspector Egan is outstanding. The Inspector does not appear until the second (and final) act is under way. By then, a murder has been planned, is thought to have been executed, but turns out not to have taken place in the expected way. Hicks comes in to sort it out, which is where the comedy begins.

In the end it appears that there may have been no murder, or at least of anyone in the cast, and Hicks emerges not as a policeman, but another actor/script-writer looking for new twists in old plots. Meanwhile, he has done a marvellous impersonation of a cynical modern, plain clothes Inspector.

The opening is banal. The script-writing team of Howard Kent and Paul Riggs is breaking up because Kent, a former accountant, is fed up with the drinking habits of his partner, and thinks he can do better on his own. Riggs, however, provides most of the ideas and is aware of flaws in Kent's accountancy past. Riggs (played by William Gaunt) threatens blackmail; Kent (Gerald Harper) responds by arranging the perfect murder based on Riggs's latest scenario.

The method used is drugging whisky and leaving him to die of hypothermia on the Kents' balcony overlooking the English Channel. When Kent and his wife return from a trip to the US, they expect to find the body, but discover only bloodstains and a lady's jacket. That is when the piece takes off: enter Inspector Egan and the investigation begins.

Hicks plays the part as if he would never resort to bullying. It is only all that police violence shown on television, he observes, that gives the police thoughts of wish fulfilment.

Young, dapper, wearing a leather jacket and looking supremely self-confident, he proceeds by asking questions and revealing the odd bit of information. Note his dominant position when he sits on the centre of the settee and knows he commands the stage. As for jokes, he produces: "You wouldn't be thinking of going to Spain, would you? There's been an extradition treaty – the only good thing to come out of the EEC," as he calls the European Community. This is a splendid piece of acting, full of menace.

There is a good set of the Kent's hyper-modern apartment designed by Tim Shortall, as well as some intriguing but underdeveloped business of objects mysteriously moving position. The role of Emma Kent, played by Angela Down, is also curiously subdued. It is not the best thriller one has ever seen, but I enjoyed the second half, and wish it well. *Murder* is directed by the very experienced Val May: he deserves a slightly better script.

Vaudeville Theatre, (071) 836 9987

La Fille du Régiment

DONIZETTI'S Tyrolean *opéra comique* needs an intrepid titular soprano, a lusty romantic tenor with some style, and a ripe mezzo of interesting character. On Monday, the Royal College of Music Opera School fielded just such a team, young though they were. With the student orchestra playing admirably for Michael Rosewell, whose expert *brio* was a tonic throughout, it was an evening of many pleasures.

The piece was sung and spoken in courageous French, heartened by the fact that the appealing heroine Anne-Marie Panzarella *is* French. Her bright soprano is surprisingly full-toned already, and ascends confidently (a hint of steam-whistle at the top would probably vanish in a larger theatre); the personality is broad-gauge and direct, but there was much graceful feeling in her sad Act 2 *air*. No divination is needed to predict a happy career for her.

There was odder French from her sweetheart Tonio and her lofty "aunt", La Marquise. That, however, was part of their exotic charm – for the tenor Ya-Lin Zhang is Chinese, and the mezzo Naoko Noma hails from Osaka. He has a forthright Italianate ring, with real metal in his timbre, and is presentably handsome (but somewhat plump: nothing became him like trading in his Tyrolean *Lederhosen* for a decent French uniform). She wields a vocal instrument of intriguing potential and colour, and an ultra-mannered *persona* which may develop into something striking and dramatically valuable.

Only the baritone Laurence Whitehead sounded hampered by too-cautious French, in the lengthy *comprimario* role of Sulpice. It wants a lot of fluent character: he was competent, but rather a dull stick. The young chorus made a brave noise that belied their numbers, and their high spirits were a consistent asset.

The production by Vernon Mound is eager but raw (strong on formation-marching, helpless with individual character). Robert Lloyd's sets are kitschy-peculiar, and impossible to light well – as David Whittlestone evidently discovered: his self-conscious lighting-tricks were mildly irritating. None of that mattered much.

Monday's principals and conductor appear again on Thursday; the final performance on Friday features an alternate solo team and a different conductor. Both are sold out.

David Murray

Cheltenham Festival

Richard Fairman

THE scene at Cheltenham Town Hall told a sorry tale. With a commendable degree of realism, only half the hall had been laid out with seats and even those were far from full. The recession has caught up with the Festival and visitors are averse to being adventurous.

The programme was planned in more ambitious times. This year's theme is Switzerland's influence on 20th-century music, although by the middle of the festival fortnight there were already as many holes in that plan as in a portion of Swiss cheese. The events looked much more the traditional Cheltenham offering of varied new music, British and foreign, in readily digestible helpings.

The main interest of the central weekend was the pairing of two new violin concertos: the first British performance of the second violin concerto by the Danish composer Poul Ruders and the premiere of the Violin Concerto by Paul Patterson. Each had its merits and, given the contrast in styles, they benefited from being heard in close proximity.

Ruders is an individualist who has drawn inspiration from sources far and wide. Ives, Stravinsky, de Falla and Sibelius have all been mentioned in the front rank, with Tippett and Schnittke close behind, but none of those seemed the slightest bit relevant here. The Second Violin Concerto is mostly slow and melancholy (the composer's own word for the second of its four interlinked movements).

If any style comes to mind, it is what Mahler might have done if he had lived to progress beyond the Tenth Symphony. The solo part consists of long, yearning lines which stretch upwards into the very limits of the violin's compass. The three slow sections are too similar and the fast fourth takes too long to arrive. But Rebecca Hirsch played every note of the solo part as though it was fit to burst with emotion. The brooding orchestral backdrop was provided on Monday by Kees Bakels and the Bournemouth Symphony Orchestra.

Two days earlier the Violin Concerto by Paul Patterson was less ambitious in where it wanted to go, but it is that much surer of its ground. The concerto is not too long, as the Ruders was, and its proportions are well worked out.

The first brooding movement, a soulful threnody for the violin, fails to develop the argument sufficiently strongly for the rest of the concerto to seem a necessity. The slow movement, however, is appealing, if oversentimental; the finale has sparkle. Malcolm Layfield visibly lived the solo part and the Goldberg Ensemble supported him with a trim accompaniment.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw 20.15 Adam Fischer conducts the Austro-Hungarian Haydn Orchestra in works by Mozart, Beethoven, Schubert and Haydn, with piano soloist Bella Davidovich.

Fri: New Sinfonietta Amsterdam in works by American composers. Next Mon: violin recital by Maxim Vengerov. July 26: Melvyn Tan (6718 345)

■ BARCELONA

Tonight and Sun are the two final performances of Werther with Alfredo Kraus and Martha Senn at the **Liceu** (412 1466).

Placido Domingo stars in the three remaining performances of Carmen at the **Arena Monumental** (19,000 seats) tonight, tomorrow and Fri (310 1212).

B B King appears in concert tomorrow at **Poble Espanyol** (318 86599). Nuria Espert's production of Euripides' Medea opens on Mon at the **Teatre Grec** and runs till Aug 9 (301 7775). The World Youth Orchestra gives a concert next Tues at the **Liceu** (318 9780).

■ BONN

Oper 20.00 Thomas Fulton conducts Nicholas Joel's production of Simon Boccanegra, with Wolfgang Brendel, also Sat. Tomorrow: Youri Vamos' ballet Vathek. Fri: Die Walkure, with Janis Martin and Simon Estes. End of season (773667).

■ COLOGNE

A Broadway production of Jesus Christ Superstar opens tonight in the **Philharmonie** and runs till Aug 9. Aug 8-20: Alvin Ailey American Dance Theater (2801)

■ LONDON

Covent Garden 19.30 Carlo Rizzi conducts John Cox's new production of Il viaggio a Reims, with a cast led by Montserrat Caballe, Della Jones, Renee Fleming and John Aler. Final performance on Fri.

Tomorrow: Royal Ballet mixed bill. Sat: La Fille mal gardee (071-240 1066)

Coliseum 19.30 Australian Ballet mixed bill including choreographies by Ninette de Valois and Stanton Welch, repeated tomorrow. Fri and Sat: Coppelia.

Next week: Alvin Ailey American Dance Theater (071-240 5258).

Royal Festival Hall 18.30 and 21.00 B B King in concert. Tomorrow: New Orleans night with Dr John, Zachary Richard, Johnny Adams and others. Fri: Take 6. Sat: Gerry Mulligan Tentet. Sun: Cole Porter and the American musical (071-928 8800)

Barbican 18.30 Carl Flesch International Violin Competition, in which three of the six finalists play a concerto with the Philharmonia Orchestra conducted by Andrew Litton. The other three finalists play in tomorrow's concert (071-638 8891)

■ NEW YORK

THEATRE

● Salome and Chinese Coffee: Al Pacino stars in two shows running in repertory. The first is a production of the Oscar Wilde work; the second a contemporary play by Ira Lewis. Till Aug 1 (Circle in the Square, 50th St, west of Broadway, 239 6200).

● The Substance of Fire: Jon Robin Baitz's play about an intransigent publisher at odds with his children (Mitzi E Newhouse, Lincoln Center, 239 6200).

● As You Like It: first of two plays in the New York Shakespeare Festival free summer series in the Park. Till July 26 (Delacorte, Central Park near W 81st St. For information about tickets, which are required, call 861 7277).

● The Secret Garden: a subtle, charming and intelligent musical adaptation of the classic children's story by Frances Hodgson Burnett (St James, 246 W 44th St, 239 6200).

MUSIC

Carnegie Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in an all-Tchaikovsky programme. In tomorrow's concert, Shura Cherkassky plays Tchaikovsky's First Piano Concerto (247 7800)

Avery Fisher Hall 20.00 Mostly Mozart: Itzhak Perlman plays the Third Violin Concerto in tonight's programme conducted by Gerard Schwarz. Tomorrow: song recital by Olga Serra, accompanied by Alicia de Larrocha (875 5030)

Metropolitan Opera 20.00 Kirov Opera production of Boris Godunov. Tomorrow: Queen of Spades (362 6000)

■ PARIS

Opera Bastille 19.30 Swan Lake: Ballet de l'Opera de Paris in a new production of Vladimir Bourmeister's 1960 choreography, with decor by Roberto Plate and costumes by Tomio Mohri. Runs till July 25, with five Etoiles of the Opera Ballet alternating in the role of Odette-Odile (4473 1300)

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ PRAGUE

DANCE

Prague Festival Ballet gives performances at Divadlo K (Jungmannova ulice 1) tomorrow, Fri and Sat at 20.00. The programme is a triple bill of modern ballets by the young Czech choreographer David Slobaspyckyj, set to Handel, Barber, Nielsen and Moravian folk songs. Advance booking from ticket agencies, major hotels and theatre box office (tel 2361 344 after 14.00).

CONCERTS

A summer season has been organised in the city's historic buildings and gardens. Tonight in **Wallenstein Garden:** Universal Brass Prague in a programme of works by Bach, Mozart, Handel, Cernohorsky and others. Tomorrow in **South Garden of** Prague Castle: Prague String Quartet plays works by Mozart, Schubert and Dvorak.

Sat in **Lobkovic Palais** at Prague Castle: Linha Singers in works of old masters in new arrangements. Mon: classical guitar concert. Advance booking at **Smetana Hall** (u Prasne brany 2, 232 5858).

● For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714).

■ STOCKHOLM

DROTTNINGHOLM

The main event of the 1992 festival at the Drottningholm Court Theatre in Stockholm is a new production of Gluck's Orfeo ed Euridice, in the second version written for Parma in 1769. Opening night is Sat, with further performances on July 20, 22, 24, 27, 29, 31, also Aug 21, 23. Arnold Ostman conducts a staging by Gilbert Blin. Ostman also conducts two Beethoven concerts next week (660 8225).

■ VADSTEJNA

The summer opera festival in this charming medieval town 250 km south-west of Stockholm has two works inspired by Shakespeare's The Tempest. Prospero's Dream (till Sun at Vadstejna Old Theatre) combines Purcell's theatre music with a new libretto by Vanda Monaco-Westerstahl. The Island of Spirits (opening on July 23 at Vadstejna Castle) is an opera by the Prussian court composer Johann Friedrich Reichardt, first heard in 1796 (143-19400).

■ VIENNA

OPERA

The Kammeroper presents its production of Don Giovanni every Wed, Fri and Sat at the **Imperial Gardens of Schonbrunn Palace.** Performances begin at 20.30. The cast is headed by Danish baritone Boje Skovhus (512 0100).

CONCERTS

Theo Adam gives a song recital tonight at Laxenburg, repeated on Fri in the **Konservatorium** (512 7381). Alexis Weissenberg is piano soloist tonight and tomorrow in concerts given by the Orchestra Sinfonica dell'Emilia Romagna in the **Konzerthaus.** Sat in Arkadenhof: Carole Dawn Reinhart is trumpet soloist in a concert by the Vienna Sinfonietta. Sun at **University Church:** Vienna Motet Choir. Mon at **Schonbrunn:** I Solisti Aquilani play music by Donizetti, Rossini and Bottesini (4000 8410).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week – a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Wednesday July 15 1992

South Africa at the UN

THE COLLAPSE of constitutional talks in South Africa, rising political violence, an impending general strike and the growing antagonism between President F.W. de Klerk and the African National Congress (ANC) leader, Mr Nelson Mandela, are a dangerous and volatile combination.

What lies in store for the republic may well be a painful and protracted confrontation between white and black nationalism that outsiders are helpless to avert. But if today's emergency meeting of the UN Security Council can help curb the violence that led the ANC to break off talks, thus assisting the parties to return to the negotiating table once more, the opportunity to do so should be seized.

Such an opportunity may, in fact, exist. Mr de Klerk's offer to accept the presence of international observers as part of a fresh multi-party initiative to combat violence falls far short of Mr Mandela's call for a UN monitoring force. But it is welcome, nevertheless. The offer will be more credible if Mr Pik Botha, the South African foreign minister, makes a convincing case when he sets out the government's position on violence and the constitutional negotiations before the Security Council. The government has the means to quell most of the violence; it must demonstrate it also has the will.

On its own, a group of international observers, backed by military and police advisers – which is what Mr de Klerk may have in mind and the Commonwealth secretariat has already proposed – will probably be ineffectual. But there already exists a framework in which such observers could operate as facilitators of the peace process, providing support and advice to local institutions, all the while reminding the warring parties that they are coming under increasing international scrutiny.

Sensible agreement

Part of that framework is the National Peace Accord signed last September by all leading parties, including the ANC, the government and Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom Party. This document has been honoured more in the breach than in the observance.

Yet it remains an eminently sensible agreement which, given political will on all sides, could form the basis for resolution of the conflict in South Africa. Among other elements, it contains a code of conduct for the security forces and political parties. It also provides for local and regional committees to resolve political disputes. Its work would be enhanced by the advice of international observers.

International inquiry

Such a group would also be able to draw on the investigations of a judicial inquiry into township violence under Mr Justice Goldstone, whose integrity and independence is not in question. The commission has started an investigation of last month's massacre at Boipatong, in which 42 people died. Two international legal experts have joined the commission, which goes some way towards meeting the ANC call for an international inquiry into the massacre.

If Mr de Klerk genuinely wants to resolve his country's crisis, he needs to do more. The South African government must tell the UN today that security force units notorious for their brutality, such as 32 Battalion, will be disbanded, as will police units consisting of former members of Koevoet, the counter-insurgency force that once operated in Namibia; that carrying of dangerous weapons in public will be banned and the law enforced; and that hostels, the source of much of the friction in the Johannesburg region, will be upgraded and properly policed.

This is merely to put into effect proposals previously advanced by Justice Goldstone's commission, which began sitting last year and recently condemned the government's inadequate response in terms amounting to an indictment of Mr de Klerk's handling of the violence wracking South Africa. To ignore the commission's recommendations, Justice Goldstone said, "can only be calculated to diminish if not destroy the credibility and effectiveness not only of the commission but also of the government". If President de Klerk can satisfy an international observer group that he is taking heed of this warning, then South Africa's peace process could be put back on track.

No revolution for British Rail

IN REACHING a verdict on yesterday's white paper on the future of British Rail, it is necessary first to ask what it is trying to achieve. Anyone who had hoped for revolutionary change is likely to be disappointed. But if the goal is a better railway, then it offers – potentially – a step in the right direction. However, without further radical changes in transport policy, the white paper is unlikely to improve rail services greatly – and could even accelerate their decline.

By common consensus, there is much that is wrong with BR. A long period of underinvestment in the 1970s and 1980s has left it without the equipment needed to deliver a uniformly attractive and reliable passenger service. The deficiency is especially noticeable on some of the more heavily used commuter services in London and south-east England. The problem is exacerbated by a management culture that has only recently started to grapple with the idea that BR exists for the convenience of its customers rather than its employees.

Privatisation could, in theory, put this right – first, by giving the railways access to private capital for investment, and second, by leading to a radical change of culture among managers and staff. But after years of wrestling with different ways of achieving this desirable objective, the government has had to accept that, even taking into account the potential for efficiency gains, there is not enough profit to be had from Britain's railways to attract any buyers. There will be no glitzy sale of BR shares to the general public in this privatisation.

Evolutionary approach

The government has, instead, opted for an evolutionary approach. For the present, only the freight operations and the stations are to be offered for sale, while the railway tracks will remain under BR's ownership. Private-sector operators will be invited to introduce new services to BR's tracks, but the only significant change to BR's existing passenger services is that the private sector will be invited to bid for franchises to run them.

Insofar as this counts as privatisation at all, it is a pretty watered-down version. True, the franchising arrangement offers scope for the private sector to inject that much-sought-after change in management culture, but this is about all. Depressingly, since the tracks and most of the trains will remain in BR's ownership, so will most of the responsibility for railway investment, which means it will be just as tightly constrained by the public sector borrowing requirement as ever.

Substantial upgrading

In practice, therefore, there is little chance that passengers will see big changes in services in the near future. Franchisees are likely to be interested in running only the few lines that have already benefited from substantial upgrading. Even here, their enthusiasm will be determined by how much money they believe they can make from a franchise, which will hang in turn on how much they have to pay for the use of BR's tracks.

It is on this crucial issue of track charges that the success of rail privatisation depends. Railways are in tough competition with other transport modes, particularly roads. If would-be train operators find that railway track costs are disproportionately high, compared with the cost of using the roads, they are unlikely to see any potential for acceptable returns; and privatisation, with all its potential benefits, will fail.

Indeed, there is a danger that BR will be left with the rail network and the least profitable services, while the cream is skimmed by the private sector. The Treasury would be even less willing or able to find the greater amounts then needed to finance the necessary modernisation.

Nevertheless, by separating the track infrastructure from the trains, yesterday's white paper at least creates an opportunity to encourage a socially desirable transfer of traffic from road to rail, by levelling out the relative costs of access to the two. Since the government is unlikely to increase subsidies to the railways to reduce track costs, charges should be raised for road users to reflect the social costs of additional traffic, by means of a combination of higher fuel taxes and tolls on motorways. If the government fails to increase costs to road users, the rail revolution could be a long time coming.

John Smith combines charm with menace, but can he persuade voters to support the Labour party, asks Ivo Dawnay

Scottish sword-play

It will be more a coronation than an election. Shortly after 2.30pm on Saturday, Mr John Smith will win the Labour party leadership by such a large margin of votes that the necessity for a three-month-long contest has already been called into question.

Nonetheless, what has long been seen as a *fait accompli* will bestow upon the new leader a formidable measure of authority. That said, the mood in London's gloomy Royal Horticultural Hall is likely to be more sober than ecstatic.

Though many of Mr Smith's supporters privately believe that it was he, not Mr Neil Kinnock, who should have led Labour into April's general election, some feel that, at 53, he may not be the perfect choice for the next election in 1996-97.

Further, although Labour MPs agree that there is no alternative for now, doubts remain as to whether a cautious Scottish lawyer can persuade the electorate to abandon Mr John Major's leadership for his own.

"It will be our bank manager versus their bank manager," one cynical Labour frontbencher muttered recently. "The question I ask is: how do we persuade the public to risk moving their accounts?"

That is the pessimists' view, born out of Labour's still unrelieved depression and a lacklustre leadership campaign that signally failed to function as an effective post-mortem on the election defeat.

There are others, however, who believe that Mr Smith's accession may be unexpectedly timely. His age and natural authority, they claim, will contrast usefully with that of a still inexperienced prime minister, lending Labour a gravitas essential to complete the long march back to electability.

The flamboyant Kinnock era of platform oratory, behind-the-scenes fixing and head-on confrontation with the Trotskyite left has purged the party of its early 1980s extremism in a way that would have been more difficult for a leader from the right wing of the party.

Now, just three months after the election, the economy and Europe have left the government again looking divided – ripe for the forensic skills of a heavyweight Edinburgh advocate whose despatch box credentials are already proven.

Mr Smith, his enthusiastic supporters claim, is ideally suited to a new era in British politics – one not of grand ideological clashes, but the close-quarters cut and thrust of two versions of pragmatism, vying for the centre ground.

Talking in his Westminster office this month, Smith made clear that his two prime personal objectives remain down to earth: to address Britain's industrial failures and to use education and training as the tool to "liberate" the lives of the less well-off.

It is a manager's vision that assumes a collaborative instinct in society and quarrels with the notion that Conservatism runs with the self-interested grain of human nature. "We are only fulfilled properly in the community. Of course we want a good house and a good job ... but we also want a decent society that cares for the less well-off."

Labour's 14th party leader traces such convictions to his Highland roots as the oldest child of a primary school headmaster in Ardrishaig, an isolated coastal village situated half way down Argyll's misty Kintyre peninsular.

A cheerful child, his earliest influences stemmed from the presbyterian socialism of his father Archibald – replenished weekly by the arrival of the New Statesman – a warm, artistic mother and two admiring younger sisters.

Mr Iain "Eeny" McGregor, a contemporary, remembers Smith as a child prodigy who, as young as 10 years old, was already lecturing his schoolmates on the benefits of the National Health Service and the importance of nationalising coal.

"We all wanted to play cowboys and indians, but John was able to hold our attention although no one really understood what he was on about," he recalls.

By the time he reached Glasgow University, he was regarded by the Labour club's young tyros – like Mr Donald Dewar, the shadow Scottish secretary – as an experienced political operator, if one who combined his politics with a rumbustious conviviality, Gaellic singing, frequent laughter and generous helpings of whisky and beer.

The student politician had little time for the Bevan versus Gaitskell schism dominating Labour at the time. To this day, Smith scorns ideology in favour of practical solutions to the perennial if pedantic human problems of poverty and poor education.

"Political activity is above all moral activity," he said last month. For Smith, the Good Samaritan is a more appropriate role model than intellectuals such as Marx whom he is proud never to have read.

Mr Donald MacCormick, the television journalist and friend from university days, remembers that unlike other students, Smith was already a figure in Scottish politics, attending conferences, canvassing in local elections and, at 23, vigorously contesting the safe Tory seat of East Fyfe in 1961.

"He was by no means the statesmanlike prime minister in waiting, but where some of us were dilettante, John was already professional," he observed.

That single-mindedness took Smith to the Scottish bar – an option that combined security with the chance to hone debating skills. By the time the 31-year-old Smith was elected for Airdrie and Coatbridge (later North Lanark) in 1970, colleagues at the Scottish bar agreed he was throwing away a career that would have offered fortune if not fame. Yet within little more than a year in parliament, he risked jettisoning his political future by joining the 69 Labour rebels who ignored a three-line whip and backed Britain's accession to the European Community.

It was his first and only serious confrontation with the party establishment. Despite his rebellion, promotion came rapidly. After declining Harold Wilson's offer of a Scottish job, he rose swiftly to Minister of State at Energy under Mr Tony Benn – who, though often an opponent, still describes him as "able and charming".

Under Jim Callaghan's leadership in 1977-78, Smith's barrister's skills were put to use in the effort to devolve powers to Scottish and Welsh national assemblies against the formidable unionist obstacles of Mr Tam Dalyell, the Labour maverick, and Mr Enoch Powell.

His reward – despite defeat in the subsequent referendum – was to be (at 39) Callaghan's youngest cabinet minister at the Department of Trade, Prices and Consumer Protection, enough time to introduce legislation against insider trading before the election defeat of 1979.

In opposition Smith has built his name on harrying the government. His merciless attacks on Leon (now Sir) Brittan during the Westland affair earned him the shadow chancellorship from which he bear-baited Nigel (now Lord) Lawson in clashes remembered as among the most effective of recent times.

Despite his heart attack in 1988, there has seldom been any doubt that the shadow chancellor was Neil Kinnock's natural (if not preferred) successor. An unflappable television performer whose moral standpoint, sharp wit and occasional irascibility combine charm with menace, he is understandably the Labour opponent most Conservatives most fear.

What is more, inside a party criticised for being driven by the whims of public opinion, his loyalty to an old-fashioned redistributionist Labourism has won him respect.

"I haven't basically changed my political stance since I was a student," he commented. Was that a good thing? "I don't know ... but it is slightly better than all those left-wingers who are now Thatcherite stockbrokers," came the reply.

Yet for all this admirable consistency, serious doubts must remain as to whether the electoral mountain can be conquered. Few believe the seven and a half percentage points that divided the two main parties in April can be bridged by integrity and personality alone.

The party leader-to-be has given some clues as to how he means to proceed. For up to a year, detailed policy issues will be put to one side to allow a wide-ranging debate on the goals of a modern social democratic party as it approaches the millennium.

It is clear that the aim is to conquer new ground by remodelling the state as champion of the individual against entrenched vested interests, whether of the public sector or privatised industries. Stress will be placed on government as pro-active "empowerer" of the community's collective interests.

The broad thrust of Labour's 1992 manifesto is unlikely to undergo radical revision. It is the tone and packaging of its proposals for reviving industrial investment and enhancing education and skills training that will be given greater prominence. Mr Smith's conviction is that the nitty-gritty business of making Britain function more efficiently should take precedence over all else.

Nonetheless, the rumbling symbolic battles over the role of the unions, the party constitution's Clause Four (which advocates state ownership), or electoral reform, all threaten to set the self-proclaimed "modernisers" against party conservatives. Both sides will expect the leader's backing. His instincts tend to lie closest to opponents of deep-rooted change but finding compromises will test his untried skills of party management.

As some of his Kinnockite critics have argued, the canny shadow chancellor often kept out of the firing line when some of the biggest battles of the past decade were being fought. He has never been a member of the party's policy-making national executive committee, of which he will now be *primus inter pares*.

Collegiate by instinct, confident by nature, Smith is promising to end the bunker mentality of the Leader of the Opposition's office and integrate it with party headquarters in Walworth road. Yet his strategy for winning the backing of his party and the electorate at the next election is ultimately based, in his own ponderously legalistic phrase, on "analytical reasoning and persuasive exposition".

His admirers believe that if he can convey both his own good nature and his seldom exposed passion to the electorate, Smith could shed some of the boring bank manager image. He is ready to embrace whatever changes are necessary, whether it be in policy or the party's internal structures. But his core values – a very Scottish species of practical Christian socialism – are not negotiable.

Instead, he is convinced his task now is to persuade the electorate to make them theirs. It must remain in question whether the south of England will ever be ready to do so.

LOMBARD

Tragi-comedy of errors

By Anthony Harris

"I have heard all the arguments before; only the countries using them change from time to time" – Professor Posthuma of the Netherland Bank, quoted in De Vries, The Non-reform of the International Monetary System, 1976.

Nobody who had to report on the international crises of the 1960s and 1970s can watch the present argument within the European Monetary System without an agonising sense of *déjà vu*. There is one huge change: the Americans are now on the sidelines. Floating has its own problems, but does confer a degree of freedom. A system of fixed but adjustable exchange rates allows little room for conflicting interests, and so political horns may be truly locked, and negotiation turn into a multilateral monologue – the term a frustrated Jeremy Morse coined to describe the futile wrangling in the Committee of Twenty (charged with designing a new world monetary system, and known for the past 18 years as the Interim Committee, thus confirming his pessimism).

The rules of a fixed-rate wrangle require first a pivot currency, which is also the core store of value in the system. Within Europe the D-Mark has taken over this role, and with it, the charges that used to be brought again the Americans, and the defences they used to put up. German domestic policy has its main impact outside Germany; or as the French once said of the Americans, when they sneeze, the rest of the system catches pneumonia. But the Germans now argue, as the Americans did in the early 1970s, that this is a problem for their partners, not for them; they are free to adjust their policies, or their exchange rates, if that would make them more comfortable.

The standard response, now as then, is to attack the domestic policies of the core country. The received wisdom of the rest of Europe is that German fiscal policy is too lax and its monetary policy too tight. A decade ago, exactly the same charges were made against President Ronald Reagan – though in a floating system, they were made with less heat. These charges are rejected by the Organisation for Economic Co-operation and Development in its new German report, although this does question the German stress on the growth of M3 as a policy target.

But there is no such thing as a new mistake; Lady Thatcher (or more likely, Lord Lawson) could prove from British experience that when interest rates are pushed up, broad money grows faster, not slower. If the Germans continue to repeat UK history, the European currencies may be dragged up to almost any level against the dollar, with results for the whole continent as damaging as they were for Britain then. UK policy was reversed thanks to Sir Alan Walters, who had the ear of Mrs Thatcher. But Sir Alan is now marginalised as one of the Liverpool Six; even if one man had similar influence in Europe, it is not clear whose ear he would have to win.

A second possibility would be for the Germans to bang heads together, as the Americans did

Meanwhile, the German reply has been rehearsed many times before: their partners should agree to a D-Mark revaluation, which would check German inflation and stimulate demand in the rest of the system. The French have taken up their traditional blocking position, and have now been joined by Mr John Major, the British prime minister, who is clearly another number-fetishist. History unfortunately suggests that the economic situation will have to get alarmingly worse before they can be frightened out of their fixed poses.

However, history does contain partial solutions, as well as endlessly recurring problems. Three might be applicable here. First, countries with strong currencies *can* do something to keep their troubles and restraints at home, even if they allow free capital movements. From 1960 to 1978, the Germans or the Swiss repeatedly used withholding taxes, or special *bardepot* reserve requirement on their banks, to discourage foreign inflows. These measures were never fully effective – notably, they leave business in the strong-currency country free to borrow cheaply abroad; but they were partly effective, and would allow some interest-rate freedom for partners.

A second possibility would be for the Germans to bang heads together, as the Americans repeatedly did – once by marooning the whole Group of Five on the circling presidential yacht Sequoia, on a broiling Washington day, until they reached agreement. Under such pressures the French did agree to a rising D-Mark, the Japanese did revalue, and gold was demonetised.

Or simplest (and unfortunately least probable), Germany could imitate another form of American floating, and leave the ERM for a time (an interim?) while reunification is sorted out, and float Reagan-like above their troubles and ours.

Edward Mortimer

Europe bares its claws

Although a defence structure is developing, the relationship with Nato remains unresolved

FOREIGN AFFAIRS

In a strange, crabwise fashion, Europe's "defence identity" continues to develop. Last December, in Maastricht, the nine member states of the Western European Union (WEU) declared their intention of developing that body "as the defence component of the European Union and as a means to strengthen the European pillar of the Atlantic Alliance".

This week WEU is holding two meetings in Rome: one to open negotiations on the enlargement of its membership, which was also agreed in principle at Maastricht; the other to organise the naval operations, aimed at enforcing UN sanctions against Serbia, which were agreed in Helsinki last week.

The Maastricht decision on enlargement concerns essentially Greece and Turkey. The former, as a member of the EC, and putatively therefore of the future European Union, is invited to "accede to WEU";the latter, as a European member of Nato outside the EC, is invited to become an "associate member" of WEU with "the possibility of participating fully" in its activities.

The distinction is important to those, especially the French, who are determined that the EC must eventually evolve into a full political union with its own defence, separate from – even though still allied to – the US. Whereas for those (notably the British) to whom Nato remains the indispensable and irreplaceable framework of European defence, it was vital that European members of Nato such as Turkey should not be debarred from helping to "strengthen the European pillar".

Associate membership was a compromise solution. The trouble with it is that WEU is a mutual defence pact, whose members are obliged by treaty to go to each other's assistance if attacked. As a mere associate member, Turkey will not benefit from this guarantee, but will have to remain content with the slightly weaker guarantee in the Atlantic treaty, which says merely that *an attack against* any of the signatories, in Europe *or* the North Atlantic, will be considered an attack against all. So Turkey is being offered the dubious privilege of being invited to participate in WEU's activities, without obtaining the extra security that WEU membership should provide.

Even on those terms Britain and some others were unhappy about Greek membership, fearing that it would drag them into a Greek-Turkish conflict on the Greek side. That has now been avoided by last month's Petersberg Declaration, which specifies that the mutual assistance clause will not apply to conflicts between allies: a rather extraordinary statement, since it implies a licence for allies to attack each other with impunity. Since Greece traditionally regards Turkey as the most serious potential threat to its security, it would not be surprising if it decided that WEU membership on those terms was not worth having.

Meanwhile, the Adriatic mission is the first operation entrusted to WEU within Europe. Until now, Nato enthusiasts have suggested that WEU should only act outside the Nato area, so as not to get in the way of the really important business. That position has proved untenable: how can an organisation purporting to express a "European defence identity" be debarred from taking any direct part in the defence of Europe?

Bosnia is serving as a laboratory in which formulae for European defence are tested

But the relationship between WEU and Nato is still far from satisfactorily defined. The two appear to be in competition in offering their services to the Conference on Security and Co-operation in Europe for peacekeeping duties. In the Adriatic operation (which is notionally enforcement, not peacekeeping) they are supposed to be co-operating. Does this mean that WEU members will contribute to the WEU force, while others contribute to the Nato force? That might seem logical, but Britain is going to oppose it at the Rome meeting. British officials do not like the idea of a Nato force composed of "the US and the also rans". They think, apparently, that WEU members should contribute some ships to the WEU force and some to the Nato force.

One can only hope that these Byzantine discussions do not reach the ears of the hapless Bosnians, in whose interests the operation is supposedly being conducted. In fact, of course, it has very little to do with their interests. The Dutch defence minister, among others, has admitted quite openly that sending forces to the Adriatic is "a political gesture" which will not prevent any strategic goods from reaching Serbia. The force does not have power to arrest ships, and in any case supplies are said to be reaching Serbia via the Danube rather than the Adriatic.

Neither Nato nor the WEU has any intention or expectation of rescuing Bosnia by military means (although the moment for rescuing it by any other means, if there ever was one, is long past). Bosnia is simply the laboratory in which formulae for future European defence are being tested.

The British government is pleased with itself for having got other WEU members, including France, to accept the principle of strengthening Nato's "European pillar". Yet it refuses to accept the logical consequence, which would be to canalise the European contribution to Nato through WEU.

It is true that this is made more difficult by the fact that France does not belong to Nato's integrated command structure. Nato commanders are understandably bothered by the fact that the new Franco-German corps, now baptised "Eurocorps", will include some troops that are answerable to them and others that are not. Besides, it is questionable whether there is any military logic, in post-cold war Europe, in setting up a new main defence force composed largely of conscripts, when the strategic requirement is clearly for professional forces, flexible and highly mobile, able to undertake a variety of assignments at short notice.

But Britain's obsession with the supposed danger to Nato from the Eurocorps is such that Whitehall bridles even when a non-governmental US think tank, the Johns Hopkins Foreign Policy Institute, dares to suggest* that the US should take a more relaxed attitude on the matter. Yet the ostensible objection to the Eurocorps is that it will antagonise the Americans. Not for the first time, London seems determined to be more royalist than the king, or rather more Atlanticist than Washington.

Britain's desire to reintegrate France into the common defence of Europe is, if sincere, entirely laudable. But to keep insisting on French reintegration into the present structures of Nato is self-defeating.

On this point even the strongly Europeanist critique of British defence policy produced last week by the Institute for Public Policy Research** has missed the point. The French do not want a Europeanised Nato, even under a European supreme commander. They want a genuine two-pillar alliance, with Europe's contribution mediated through a single structure, namely the WEU. I must be very obtuse, but I cannot see why that is such a bad idea, or why it is assumed that the US will be against it.

**The Franco-German Corps and the Future of European Security. Policy Consensus Reports, June 1992*

***Biting the Bullet, by Malcolm Chalmers. IPPR, £9.95*

OBSERVER

Gilt-edged youth

■ "Daddy, the markets have had a really bad day, but don't worry. Your gilts are safe."

These words of wisdom were spoken by young Ganesh Sittampalam, then aged 8, to his father on the Friday before the 1987 Black Monday crash.

This week Ganesh, now a mature 13, became the youngest person on record to be awarded a degree in the UK – he received a First in mathematics from the University of Surrey.

Ganesh achieved this prodigious feat on the strength of studying at the university one day a week for two years. Whether he'll prove a creative thinker at the abstract heights of the subject remains to be seen, but he does seem able to put his figuring skills to practical use.

His father is Arjuna Sittampalam, holder of a doctorate in mathematics, and managing director of Sanwa International, the London fund management arm of Sanwa Bank. He was responsible last September for the simultaneous launch of 10 authorised unit trusts, one of the most daring fund management ventures of recent years.

There are strong signs that Ganesh may be inclined to follow in his father's footsteps. According to Sittampalam père: "He was quite an avid follower of the market. I gave him a nominal £50 to speculate on the Dow. For the next month he was buying and selling, and after a month he had made about £1 profit."

Tiny's challenge

■ Lord King's well-trailed decision to call it a day at British Airways and hand over the control stick to Sir Colin Marshall raises the question of how much longer that other entrepreneurial 74-year-old – Lonrho's Tiny Rowland – is going to hang on.

It is nearly 20 years ago since the late Sir Basil Smallpeice tried, and spectacularly failed, to unseat Tiny Rowland. Smallpeice, along with two Conservative MPs – Duncan Sandys and Edward du Cann – had been one of three non-executives appointed to the Lonrho board following growing City disquiet about its financial affairs. However, Sandys and du Cann soon sided with Rowland and although Smallpeice commanded a majority of Lonrho's directors – the so-called straight eight – he and his supporters were booted out at the next meeting.

If the battle were to be fought again, Rowland could have a fight on his hands. Lonrho has cut its dividend and is selling UK assets to make ends meet.

The big difference now is that unlike British Airways, Lonrho does not have a sizeable cadre of non-executives to whom the chief executive can turn for advice.

"The Bundesbank sneezes, sterling gets a cold and Brian shouts at the cat"

Herd heard

■ Are Japanese researchers putting the cart before the horse – or even the cow? British cows, at any rate, have an inbuilt body-clock which tells them when it is time to gather for milking or feeding.

But it seems that Japanese farmers – suffering from both a shortage of herdsmen and a blind faith in technology – are resorting to playing music to announce bovine tea-time.

Last year, scientists at an experimental farm relayed music across the fields by loudspeaker and then put out feed for the animals. However, because loudspeakers have only a limited range, the researchers decided instead to play the sounds over bleepers fitted to the cows' ears.

So far, apparently, the tests are promising, but more research is needed to discover the cows' preferred taste in music. The current favourite is a piano version of Spring Stream, a Japanese folk song. But perhaps Moo River may be more to their liking?

Family fortunes

■ When the family owns the merchant bank the chairman should be allowed to pay himself what he likes. Even so there are bound to be a few raised eyebrows at the speed with which Sir Evelyn de Rothschild's salary has been rising lately. The family firm, N M Rothschild & Sons, must have been doing exceedingly well.

Over the past three years, Sir Evelyn has moved from being one of the City's lowest paid merchant bank chairmen to one of its highest paid. In 1989 he received £261,000 and in the year to March 1992 £852,000 (including an unspecified one-off bonus). Leaving aside Warburg's Sir David Scholey, who more than doubled his £511,000 salary with a £687,000 long-term performance bonus last year, Sir Evelyn seems to have earned far more than any of his rival chairmen.

Schroders' George Mallinckrodt got a 35 per cent raise, to £590,000, while Peter Baring's salary was virtually unchanged at £511,000. Meanwhile, poor old David Peake at Kleinwort Benson had to make do with a salary marginally reduced to £251,000 last year.

The traditional argument used to justify the City's fat salaries is that it is the price that has to be paid to stop the top talent defecting overseas. But in Sir Evelyn's case it is hard to imagine him deserting the family firm. Given that he is over 60, and there was a bonus payment, the jump in his salary may have something to do with his future retirement plans.

Rothschild notes that the payment was vetted by its own remuneration committee chaired by Sir Frank Cooper, a distinguished ex-civil servant. Even so it is bound to add to the dissatisfaction of top mandarins like Civil service boss Sir Robin Butler who is paid a paltry £109,000 and is responsible for a workforce many hundred times larger than Sir Evelyn's.

Major redundant

■ Final proof that John Major's ruling Conservative party is no longer riddled with nepotism. One of the unfortunate victims of the government's decision to axe Nedo, sacred cow of so many middle-of-the-road administrations, is the office manager – John Major.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

The Church and its finances

From Mr Alan Holme.

Sir, I refer to your article, "Unholy saga of the church's missing millions" (July 11). My wife and I are members of the Saint Margaret's parish church in Horsforth. We think the Archbishop of Canterbury should set up a commission to inquire into this disaster.

In particular, this commission should do the following:

- Inquire into the reasons for this loss;
- Devise procedures to prevent the occurrence of a similar loss in the future.

Alan Holme,
16 Hunger Hills Avenue,
Horsforth, Leeds LS18 5JT

From Mr Oliver Lever.

Sir, Before readers of your delightful article on the Church's missing millions (July 11) reach for their cheque books, may I point out that the figure of £12,000 as the pay of the clergy is misleading?

In December 1982, the Church Commissioners, in a memorandum to the General Synod, estimated that a vicar was better off with his stipend of £5,802, plus his tax-efficient perks, than if he were to be paid £10,500 only, with no housing. Adjusting for inflation, the perks therefore now seem to be worth £8,099 making, with the average stipend of £12,800, a total of £20,899. In the interim, interest-free loans have been made available for car purchase.

Oliver Lever,
Blackacre,
Back Lane,
Malvern, Worcs WR14 2HJ

Minimum reserves answer to German monetary expansion

From Mr Wim Boonstra.

Sir, As German monetary expansion is purely a domestic phenomenon, the Bundesbank should pursue a policy that aims directly at its source, viz German bank credit. In addition, the bank should try to minimise adverse implications of its tight monetary policy for other EC countries.

The solution to the dilemma is relatively simple. An increase in minimum reserve requirement rates will dampen bank credit expansion, without necessarily leading to increased money market interest rates. Therefore, one could suppose that a combination of an increase in minimum reserve requirement rates and a lower interest rate on the Bundesbank weekly repo tenders will tighten monetary conditions in Germany, while at the same time creating room for monetary easing elsewhere in Europe. Other Bundesbank measures (increasing the discount or Lombard rates, or limiting the discount or Lombard facility) will all lead to higher money market interest rates.

As a result of the sharply inverted yield curve, this will lead to a further acceleration of M3 expansion, as investors move into high yielding short-term deposits. If the Bundesbank seriously wants to dampen monetary expansion, an increase in the minimum reserve requirement rates is the only measure that would make sense. If, however, the bank decides to raise interest rates once again on Thursday, one could suspect it of having a parallel agenda. Monetary policy could well be an instrument to lecture on central bank independency in Europe.

Wim Boonstra,
head of international research,
Rabobank Nederland,
Utrecht, Netherlands

When memory is altered

From Mr Peter Hines.

Sir, I refer to Alan Cane's excellent and well-balanced article on the subject of "altered" IBM memory (Technology, July 10).

The fact that altered memory has been supplied to end users by leasing and broking companies, sometimes knowingly, mostly unknowingly, cannot be denied.

Neither can it be denied that some of this memory has been altered using incorrect components and/or to an unacceptable standard of workmanship. These practices have already been condemned by all responsible members of the leasing and broking community, which wish to supply only equipment – whether altered or not – which is acceptable both to IBM and to the end user.

To this end, it would be helpful if IBM would tell us whether or not IBM itself alters or reconfigures or creates "new" IBM memory which it then incorporates into its "new" machines out of used chips and memory cards in exactly the same way as the companies it is now suing.

Peter Hines,
managing director,
Computer Equipment Investors,
11 Blades Court,
Deodar Road,
Putney, London SW15 2NU

Nothing new after 67 years

From A J B Fforde.

Sir, Mr Brian McEvoy (Letters, July 11) wonders how the rail service will ever improve. By coincidence I came upon a letter written by my father in June 1925, on his return home from Waterloo. Aged 25, he told his cousin that he had already had enough of commuting, which had driven him that day to compose:

"This Beautifully Painted
And Bloody Awful Train
By everything that's holy
I will not take again.
I'll sell my season ticket
And buy a private hearse.
It may not travel faster,
It cannot travel worse.
And you, Sir Herbert Walker,
When all men's patience fails
Take up your true vocation
Of cultivating Snails."

(In a footnote he says that Sir Herbert Walker was the then general manager LSWR).

So it seems that things have not changed much in 67 years, which may give Mr McEvoy food for thought as he next waits at the signal.

A J B Fforde,
The Old Malthouse,
Brook, Godalming,
Surrey GU8 5UL

No good reason for advocating that Lord Weinstock should retire

From Sir Sigmund Sternberg.

Sir, Your series of articles on GEC comes to the fairly obvious conclusion that it is a successful, well-run company and that much of its success is due to the energy and wisdom, over many years, of its chairman, Lord Weinstock.

Nevertheless, you seem to believe that Lord Weinstock, who is 67, should retire and you say that the main institutional shareholders in GEC say that "there is no question of Mr Simon Weinstock succeeding his father".

Both these statements are controversial to say the least. There are many successful companies which have, at their head, chairmen who are in their late 60s and 70s. Equally there are companies where son succeeds father over a number of generations. The Rothschild and Sainsbury families are examples, and there are others.

So far as age is concerned, you may be interested to know that I founded my own company, ISYS, when I was in my late 60s, and created a product which has revolutionised the implementation of computer application now used by the world's largest corporations daily. On my board is a previously retired personality, who has proved most successful.

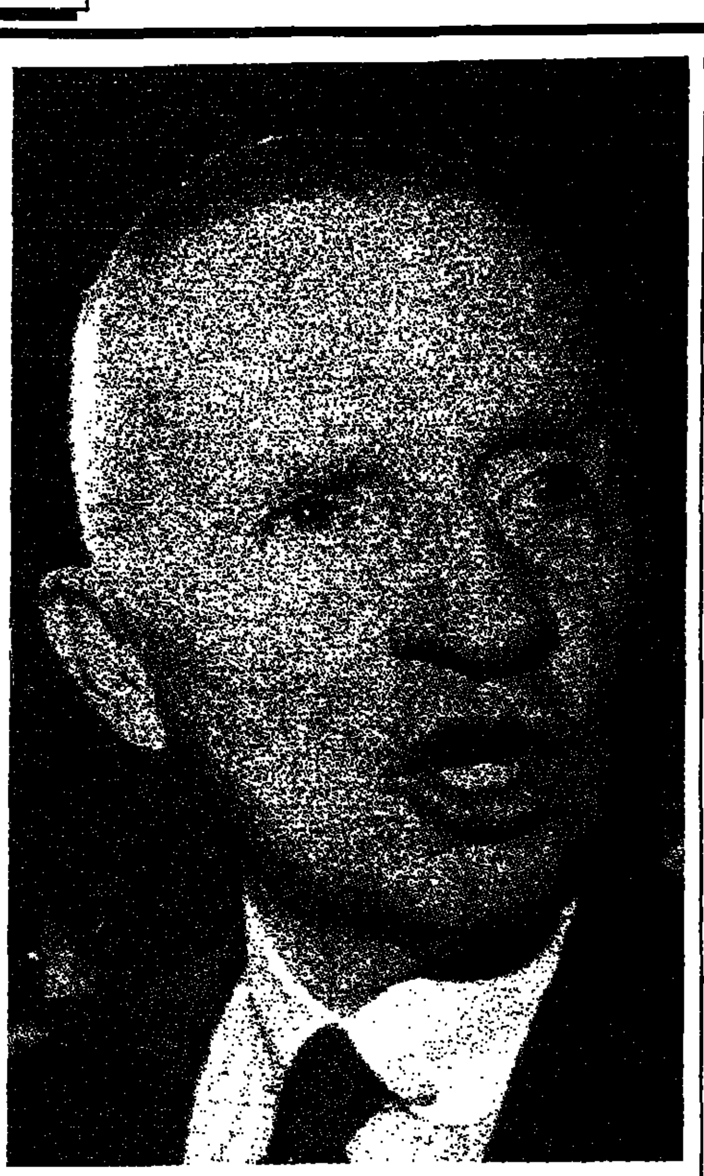
Likewise my charitable foundation's director is a retired communal executive who is doing well in his new career. Your own article (Man in the News, July 11) about Taikichiro Mori who, at 88 and still active, is the richest businessman in the world, is a further indication that age need not be a barrier to success.

Sigmund Sternberg,
ISYS,
Star House,
Grafton Road,
London NW5 4BD

FINANCIAL TIMES
Wednesday July 15 1992

Perot campaign shows signs of disarray

By Jurek Martin in New York



Ross Perot: the bandwagon has indisputably slowed

SENIOR Democrats and Republicans are openly speculating that Mr Ross Perot will not launch his independent run for the US presidency amid growing signs of disarray in the Texan billionaire's camp.

Mr Perot might pull out now that his prospective campaign has run into controversy and lost momentum, according to Governor Ann Richards of Texas and Senator Bill Bradley of New Jersey, both Democrats, and Mr Bill Bennett, the Republican former secretary of education.

Several newspapers reported from Dallas yesterday that Mr Hamilton Jordan, who ran the successful Carter campaign in 1976, was threatening to resign as an adviser because Mr Perot was refusing to listen to his advice.

Mr Jordan denied the reports. But Mr Ed Rollins, the Republican political expert recruited at the same time as Mr Jordan, confirmed there had been "internal dissension" last week when Mr Perot summarily dispensed with the services of an advertising consultant recommended by both of them.

Mr Perot opted instead to use an old Texas colleague with little experience in the political field.

Mr Perot also lost the potential support of a prominent Democrat yesterday when Mr Douglas Wilder, the black governor of Virginia, finally endorsed Mr Bill Clinton, who is due to be formally nominated as the Democratic presidential candidate tonight.

There had been a spate of well-founded rumours that Mr Perot was considering offering Mr Wilder, who withdrew from the Democratic race early in the year, the number two spot on his ticket.

The Perot bandwagon has indisputably slowed. The opinion polls, which had him ahead of both President George Bush and Mr Clinton last month, now mostly put him in second or third place.

The decline is not as fast as his rise, but a poll this week had him down to 25 per cent. He is increasingly viewed in a negative light, mostly because of the lack of specifics behind his populist ideas.

These surveys were taken before his controversial appearance last weekend, when he appeared to demean a black political audience by referring to "you people". This received such critical coverage that he is understood to have personally complained to CNN, the network on which he has promoted his own cause.

Mr Perot has left himself with an exit should he choose not to run. He has always said it would require successful petitions to put his name on the ballot in every state before he would answer the call.

This has been achieved in more than 20 states. The last filing deadlines in some of the remaining states are not reached until September.

It had been thought he might wait another month for his formal declaration, seeking to highlight the popular appeal of the registration drive.

Policy positions were also expected to stay under wraps until then.

The Democratic convention: Delegates talk over food for thought, Page 6

French 'no' vote would split EC, warns Mitterrand

By William Dawkins in Paris

A FRENCH vote against the Maastricht Treaty in the September 20 referendum would break up the European Community, President François Mitterrand warned yesterday.

A French "no" vote to European union "would break Europe, because there would be no more impulse", Mr Mitterrand told a television interviewer during the annual Bastille day celebration. "It would put an end to 45 years of French foreign policy ... A French refusal would seem like a negation of everything." France's position was decisive, because "it had a driving role" in European construction.

The passion with which a normally cool Mr Mitterrand pleaded for Europe yesterday reflects the rising political temperature in France as the pre-referendum campaign gets under way.

On the surface, the government need not worry, because opinion polls suggest a 60 per cent majority in favour of Maastricht, compared with 40 per cent against. Yet French opinion can be very volatile and the government is anxious the electorate should not misuse the Maastricht referendum to vote against Mr Mitterrand, whose popularity is at a low ebb.

"I have never said that if you vote for Europe, you vote for me ... I am not concerned in this affair, neither with the yes nor with the no," he said yesterday.

Mr Mitterrand also attempted yesterday to mollify truckers and farmers, whose recent protests against government decisions have been mingled with anti-European feeling. He understood truckers' tough conditions and farmers' fear of falling prices and accepted the right to demonstrate. Yet "the state had to make itself obeyed," he explained, in reply to a question over the use of force to shift truckers' roadblocks.

Because of the Maastricht vote, Mr Mitterrand suggested it was unlikely he would hold a referendum this year on his plans for constitutional reform. He suggested last November that these could give the French parliament extra powers, reduce the seven-year presidential mandate and introduce an element of proportional representation into general elections, but more concrete details have yet to emerge.

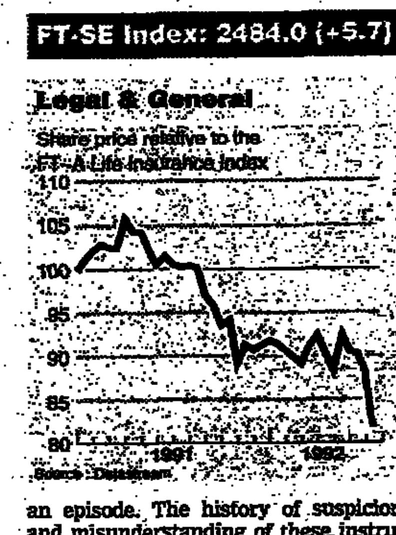
THE LEX COLUMN

A tricky time of year

However disappointing the May figure for UK production, the broader picture is still one of just perceptible upturn. In the latest three months, manufacturing output was 0.6 per cent higher than the three months before. What is unclear is whether this was merely part of the second-quarter blip. If the latest retail statistics are a guide, the extra production may simply have gone into excess stocks. If so, the next figure or two in the series is going to look correspondingly depressing.

It is getting to the time of year when City economists are having to think hard about whether to revise down their GDP forecasts for 1992. At present, the consensus for growth in the calendar year is approximately zero. But those forecasts were posited on the assumption that some kind of recovery would be coming through by the mid-year. The next retail sales figures and the surveys from the Confederation of British Industry will be scrutinised accordingly. Everything hangs on the consumer, whose spirits seem to be drooping with the passage of time. There remains, of course, the grisly outside possibility that UK interest rates will actually go up. In that case, the forecasting community might as well go fishing.

FT-SE Index: 2484.0 (+5.7)



BET

The mere 3 per cent dip in BET's share price yesterday in response to a £200m rights issue is thought-provoking. The market is evidently glad to see BET, like ECC before it, raising cash to pay off its auction market preferred stock (Amps). But if a company were to seek cash to rid itself of an excessive burden of floating rate debt – which in essence is what BET is doing – would the market be so forgiving?

The timing behind BET's move is intelligible enough. The list of non-US companies with Amps outstanding is getting shorter all the time, and the market is showing worrying signs of illiquidity. If a BET auction were to fail – as has happened to Ratners – the effects on the share price do not bear thinking about. The fact remains, though, that the rights money will cost BET a net 5.7 per cent – assuming a held dividend – against 4.6 per cent for the Amps. The price of reduced risk for the company, in other words, is dilution for the shareholders.

That apart, the withdrawal of BET from the Amps market, having been the first non-US company to discover it in size, may be taken as the end of an episode. The history of suspicion and misunderstanding of these instruments in the UK may seem odd to a US observer. But the market for Amps consists wholly of US investors who are interested primarily in big, familiar, triple-A US corporations like Coca-Cola and Exxon, rather than unknown foreign minnows.

Perhaps more to the point, several of the UK companies issuing them – Maxwell Communication, for one – had every reason to disguise their true balance sheet gearing and flatter their interest cover. Perhaps the epitaph for Amps in the UK should be that for too many of the issuers, the true rationale was the naivete of the UK market in scrutinising accounts.

UK life companies

The market had been expecting dire new business figures from Legal & General. But the reality yesterday of a one fifth drop in worldwide annual premiums and a one third slide in single premiums served to knock a further 2 per cent off the shares. Admittedly, L & G has been losing ground to its rivals as part of a conscious effort to cut back its distribution network. Nevertheless, the increasingly harsh impact of low consumer confidence on the insurers raises the question of whether the sector is as defensive as investors still seem to think.

Life companies, for instance, have outperformed the market by about 10 per cent in the last four to five weeks on the grounds that there is huge hidden shareholder wealth in their life funds which will prop up dividends for ever and a day. It is certainly true that the gradual move towards accruals accounting has served to highlight this crock of gold, and that where companies are under pressure to get their hands on it ways of doing so can be found. Most of the bigger groups hotly deny similar intent, but there was intense industry interest last month when London and Manchester announced that it had won Department of Trade and Industry blessing to transfer surpluses on investments from non-profit and unit linked policies to the profit and loss account.

All the same high bonuses, over generous payouts and various misadventures – not least L & G's exposure to mortgage guarantee insurance – have left the life companies weaker than they were even six months ago. It is worth bearing in mind that the bulls went on buying the composite insurers throughout much of last year on the argument that their strong balance sheets would support at least a maintained level of dividends. That cosy theory will shortly be put to the test.

British Rail

The market has had its fill of prospectuses recently, so perhaps it was just as well that yesterday's White Paper on the future of British Rail was as exciting as a railway timetable, though without the hard information. By all accounts there is considerable private sector interest in the project, but until the Government spells out details like the extent – if any – of debt obligations, the nature of the track charging system and the powers of the regulator, it can scarcely be translated into action.

The real frustration is for companies like BICC and Trafalgar House, which would benefit if BR's investment matched its aspirations. Maybe the answer is to sell the whole network to SNCF in return for a French promise to support London's pitch for the European central bank.

British Airways

BA's shares deferentially dipped a penny yesterday as Lord King's much-trailed dying swan routine was duly performed at the annual meeting. His contribution to the airline both before and after privatisation has been immense, but the effect of his departure is essentially symbolic. The real work has for some years been in the hands of his designated successor, Sir Colin Marshall.

UK banks report rise in suspicious transactions

By Richard Donkin in London

BANKS and other financial institutions in the UK are reporting an increasing number of transactions by their depositors to police, according to figures released yesterday by the British Bankers Association.

The BBA said that details of an estimated 12,000 suspicious transactions or depositors would be passed to the police National Criminal Intelligence Service this year. The figure reflects a steep rise on the 6,000 reports in 1991 and 3,000 in 1990.

Mrs Sue Thornhill, assistant secretary of the BBA responsible for security and fraud, said the increasing number of reports reflected a growing awareness of the duty by banks to report suspicions of criminal activity by depositors.

Detailed guidelines for banks and building societies on reporting suspicions of money laundering were drawn up by the BBA three years ago after the House of Commons Home Affairs select committee criticised the Bank of England for doing too little in advising financial insititutions about their responsibilities under the law.

The guidelines were issued to cover disclosure requirements under the Drug Trafficking Offences Act 1986, the Criminal Justice Act 1988 and the Prevention of Terrorism Act of 1989.

While money laundering is still not in itself an offence in the UK, the drug trafficking and terrorism legislation made it illegal to launder or to assist in the laundering of the proceeds of terrorism and drugs.

Initially reports were made from banks to the National Drugs Intelligence Unit. In April the unit was absorbed into the NCIS, the police group vested with collating intelligence on all serious and organised crime.

The new reporting procedures direct to the NCIS mean that the police now has access to all suspicious banking transactions that are reported through the BBA-organised system. Provisions in the Criminal Justice act protect banks from potential breaches in client confidentiality.

Mrs Thornhill said that counter staff were encouraged under the guidlines to report unusual or suspicious transactions within their respective banks. These reports were then filtered through in-house fraud departments or officers and only if suspicions remained were they passed on to the police.

The system, she said, had led to a new approach by banks to criminals.

She said: "The banks have never wanted crooks on their books. In the past when something suspicious has happened they have looked at an account and closed it down. Now they have to report the account."

Banks needed to take care about follow up action, she said, because if they closed the account as a result of their suspicions they might find themsleves inadvertently tipping off the suspect. The reporting system has no provision for passing on suspicions of tax evasion by either the banks or the police to the Inalnd Revenue. "That is one Chinese wall that remains," said Mrs Thornhill.

Under existing laws, only individuals can be prosecuted for money laundering offences but institutions themselves will soon become liable under a European Community directive on money laundering which must be implemented by all member states by January 1 1993. The British Treasury is currently looking at proposals for legislation to enact the directive in the UK before the end of the year.

Major looks to recovery

Continued from Page 1

ing Street underlined the UK government's commitment to sterling's parity in the European exchange rate mechanism.

Senior officials said that it remained far from certain that the German Bundesbank would increase the strains in the ERM by raising interest rates tomorrow.

But Mr Major was ready to order an increase in British borrowing costs if that was needed to support the pound.

The government's repeated support for the ERM and the UK central rate of DM2.95 appeared to bear some fruit on markets yesterday.

Although the pound closed lower in London against a generally stronger dollar at $1.913 against $1.9295 on Monday, it lost only ¼ pfennig against the D-Mark. It closed in London at DM2.85 after at one point hitting a low of DM2.8464.

De Michelis faces corruption inquiry

By Robert Graham in Rome

MR Gianni de Michaelis, foreign minister in Italy's previous Andreotti government, has been placed under investigation for alleged corruption, Venice magistrates announced yesterday.

Mr de Michelis is the leading Socialist figure in the Veneto region and the magistrates' move follows an inquiry into alleged rigged contracts and illegal financing of political parties. Mr de Michelis last night vowed to defend himself vigorously.

On July 6, Mr Giorgio Casadei, a key aide of the former foreign minister in the Veneto, was arrested and imprisoned on charges of alleged corruption relating to contracts at Venice airport and an autostrada extension. The magistrates must now decide whether to ask parliament to waive immunity on Mr de Michelis, who took over as deputy leader of the Socialist party last month when Professor Giuliano Amato was chosen to be prime minister.

The Venice magistrates' investigations follow similar lines of inquiry to those of the Milan municipal corruption scandal. The Venice affair has already led to investigation of a former Christian Democrat minister of transport, Mr Carlo Bernini. Last week parliament agreed to waive immunity on five members allegedly involved in the Milan scandal.

In Milan yesterday Mr Mario Scaroni, deputy manager of Techint, the Argentine-based construction group, was arrested on charges of alleged corruption.

World Weather

		°C	°F
Ajaccio	S	25	77
Algiers	S	28	82
Amsterdam	F	18	64
Athens	F	28	82
Bahrain	S	39	102
Bangkok	C	30	86
Barcelona	S	24	75
Beijing	C	25	77
Beirut	S	27	81
Belfast	C	15	59
Belgrade	C	23	73
Berlin	R	19	66
Biarritz	S	22	72
Bombay	F	31	88
Bordeaux	S	25	77

		°C	°F
Boulogne	Dr	16	61
Brussels	C	17	63
Budapest	F	26	79
Buenos Aires	R	16	61
Cairo	S	32	90
Cape Town	C	16	61
Caracas	R	30	86
Casablanca †	S	27	81
Chicago †	C	21	70
Cologne	C	19	66
Copenhagen	R	18	64
Corfu	F	29	84
Dallas †	S	25	77
Dublin	S	18	64
Dubrovnik		–	–
Edinburgh	C	17	63
Faro	S	31	88
Florence	S	27	81

		°C	°F
Frankfurt	C	20	68
Geneva	S	24	75
Gibraltar	S	25	77
Glasgow	F	18	64
Helsinki	S	22	72
Hong Kong		–	–
Innsbruck	F	23	73
Inverness	C	14	57
Islamabad	F	30	86
Istanbul	F	24	75
Jakarta	F	30	86
Johannesburg	S	17	63
Lisbon	S	31	88
London	R	18	64
Los Angeles †	C	21	70
Luxembourg	C	16	61
Madeira	F	23	73
Madrid	S	33	91

		°C	°F
Majorca	S	27	81
Malaga	S	29	84
Malta	S	28	82
Manila		–	–
Melbourne	S	11	52
Mexico City	C	24	75
Miami †	S	28	82
Milan	S	27	81
Montreal †	R	18	64
Moscow	F	30	86
Munich	C	22	72
Nairobi	F	18	64
Naples	F	28	82
Nassau	C	33	91
New Delhi		–	–
New York †	S	23	73
Nice	S	24	75
Nicosia	S	28	82

		°C	°F
Oporto	S	25	77
Oslo	F	19	66
Paris	C	22	72
Prague	F	21	70
Reykjavik	C	9	48
Rhodes	S	27	81
Rio de Janeiro		–	–
Rome	S	27	81
Salzburg	F	23	73
S'Francisco †	C	16	61
Seoul	R	27	81
Singapore	F	30	86
Stockholm	R	15	59
Strasbourg	F	25	77
Sydney	S	17	63
Taipei	F	35	95
Tangier	S	30	86
Tel Aviv	S	31	88

		°C	°F
Tenerife	S	26	79
Tokyo	R	22	72
Toronto †	R	16	61
Tunis	S	28	82
Valencia	S	30	86
Venice	S	25	77
Vienna	S	25	77
Warsaw	S	27	81
Washington †	S	27	81
Zurich	F	22	72

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday July 15 1992

INSIDE

ING raises stake in BBL to 10.03%

Banque Bruxelles Lambert, the Belgian bank, yesterday came under renewed pressure to choose Internationale Nederlanden (ING) as a strategic partner when the Dutch banking and insurance group revealed it had increased its stake in BBL to 10.03 per cent. ING said it had added a further percentage point to its BBL stake to demonstrate its determination to co-operate further with the bank. Page 18

Triplex Lloyd hopeful despite fall

Pre-tax profits at Triplex Lloyd, the UK industrial engineering group, slipped 7 per cent in the 12 months to end-March as it fought the weakness of the building products market. Over the coming year, "automotive and engineering and power divisions are well positioned to sustain and indeed improve their profitability even if UK economic activity should remain depressed", according to Mr Colin Cooke, chairman. Page 22

Unbalanced alliance

The alliance agreed this week between Fujitsu, Japan's biggest computer company, and Advanced Micro Devices (AMD), ranking only fifth among America's semiconductor makers, is rather like a whale marrying a minnow and one can only wonder how long the whale will wait before it swallows his mate. However Mr W. J. Sanders, AMD chairman, has structured a deal that could withstand the strains of the unlikely partnership. Page 20

Kroger pulled down by strike

Kroger, the large US food retailer, yesterday reported an after-tax loss of $29.4m in the three months to June 13. This compares with a $30.6m profit in the same period a year earlier. The poor results are partly due to a strike by clerks and meatcutters in the Michigan region. Page 19

Russian copper opening

One of the largest copper deposits in the world – in Siberia – is to be opened up to international tender by the Russian government. The government will favour foreign companies which join a consortium with Russian corporations and financial groups and it will insist that equipment and labour is sourced in Russia. Page 24

Birse drops into loss

Birse Group, the UK building and civil engineering company, made a £13.2m ($25.3m) loss during the year to the end of April. The loss compared with a pre-tax profit of £10m the previous year. Page 23

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Primerica	40⅞	+	1⅝
Rises				**Falls**			
Zanders Feinpap	216	+	7.5	Coca-Cola	41½	−	½
Falls				Fabri-Centers	12⅞	−	3¼
Asko	716	−	11.5	**TOKYO (Yen)**			
Beiersdorf	760	−	10	**Rises**			
Lahmeyer	712	−	18	Nippon Kinzoku	516	+	71
Schmalbach	461	−	7.5	**Falls**			
Springer Axel	565	−	11	Daiichi Housing	260	−	29
NEW YORK ($)				Lec	18	−	2
Rises				Nichimo	340	−	27
Chevron	70	+	1⅜	Sansui Elec	266	−	22
Conston	21⅞	+	1	Takiron	615	−	43
Merrill Lynch	52⅜	+	⅞				

Paris closed.

LONDON (Pence)							
Rises				Gabicci	41	−	8½
Argos	227	+	10	Hi-Tec Sports	71	−	25
British Land	183	+	8	Jessops	99	−	6
BP	207½	+	6½	Legal & Gen	346	−	8
GI Portland	127	+	4	P-E Intl	72	−	10
Morris Ashby	103	+	6	Proudfoot (A)	235	−	10
Multitone El	105	+	4	Rank Org	604	−	11
Reuters	1169	+	28	Servomex	251	−	9
Slough Ests	136	+	11	Wace	105	−	9
Sterling Publ	56	+	5	Wilson Bowden	360	−	12
Falls				Wood (John D)	32	−	2
BET	129	−	4				
Brandon Hire	31	−	7				

Bernard Simon on the problems facing the Canadian family's convoluted empire

Bronfmans suffer from investors' unease

A striking trend on the Toronto stock exchange (TSE) in recent months has been the unremitting decline in the share prices of companies controlled by the Toronto branch of the Bronfman family.

At the very least, the falls signal the investment community's growing discomfort with the convoluted structure of the far-flung group, which includes such pillars of Canadian business as Noranda, the country's biggest mining and forestry group; Royal Trust, the second-largest trust company; and Trizec, North America's leading publicly-traded property developer.

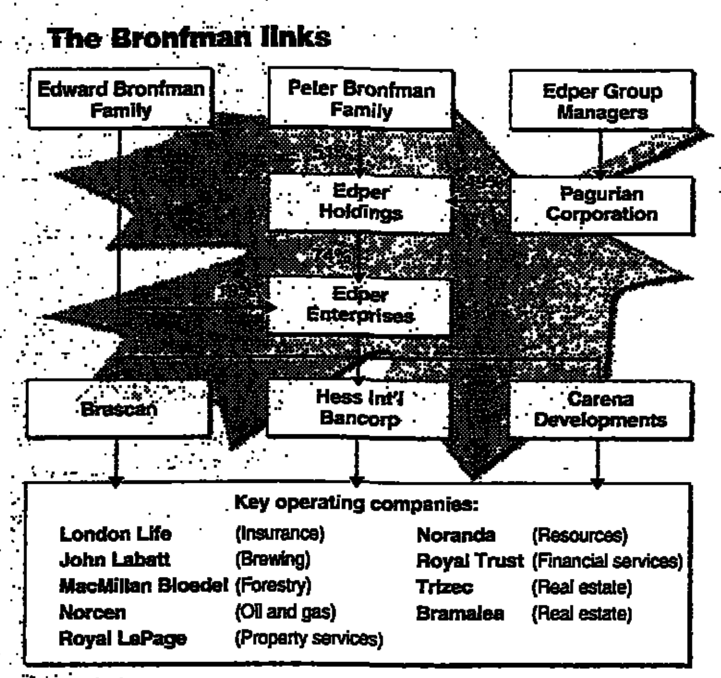
But the selling may also reflect a deeper unease at the intricate cross-holdings that are a hallmark of the Bronfman empire, which controls assets worth about C$100bn (US$83.3bn) and between 5 per cent and 15 per cent of the market capitalisation of the TSE.

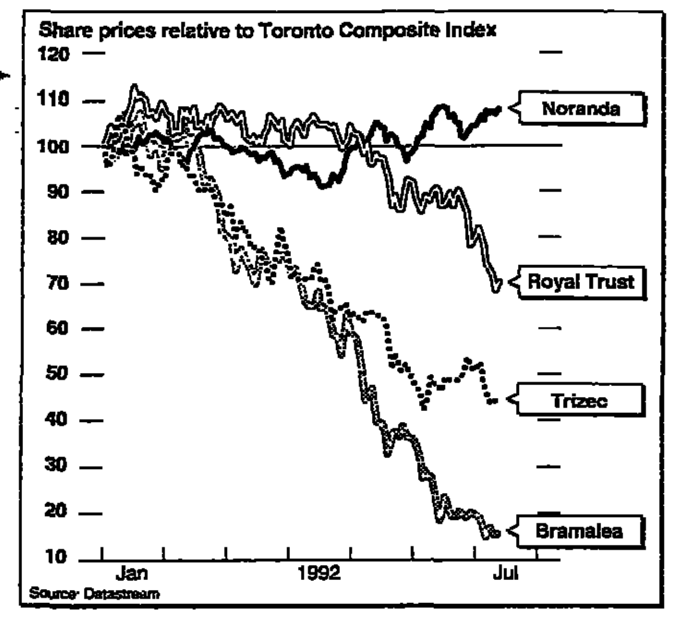
Investments by individual companies in each other's preferred shares may have created the perception that difficulties in one company could ripple through others. Between them, property companies Trizec and Bramalea have a debt load of C$14.7bn – C$1bn more than the ailing Olympia & York.

"This is a group that functions on dividend payments," says the head of research at one Toronto securities firm. "If it doesn't get them, it runs out of oxygen."

Brothers Peter and Edward Bronfman are cousins of the heirs to the Seagram liquor fortune, although the two businesses are completely separate.

The 64-year-old Mr Edward Bronfman began disengaging himself in 1989, leaving Peter, 62, and his family with majority control of Edper Holdings, the top company of the group. Most of the remaining shares in Edper are held by the senior managers, led by South African-born Mr Jack Cockwell, 51, through Pagurian, a publicly-traded company. Mr Cockwell and his colleagues decline to be interviewed.





A spokesman said that they blame the drop in share prices on a misconception that problems at property developer Bramalea, which is struggling to stave off bankruptcy, could undermine the rest of the group.

The property companies have taken the heaviest pounding in the stock market. Earlier this week, Bramalea plunged to 78 cents, down from almost C$5 at the beginning of this year. Trizec's shares are bumping along at their lowest level for more than two decades.

Bramalea last month halted both common and preferred share dividends and Trizec cut its semi-annual dividend from 18 to 12 cents a share.

Cut off from the debt markets, Trizec also heavily diluted its equity last month with a C$275m private placement which was priced far below the value of its assets.

The question is whether other Bronfman companies will be forced to follow Trizec and Bramalea's lead in trimming dividends. Judging by their share prices, the market seems to believe they will.

Hees International, the group's merchant banking arm, has fallen to a 52-week low of just above C$10. Royal Trust has tumbled from C$8.25 at the end of March to C$5.38 this week. Edper Enterprises, the most senior publicly-traded company, also touched a one-year low of C$4.10 earlier this month.

Beyond the property developers, concern is centred on Royal Trust, whose main business is home mortgages and other financial services.

RT's quarterly earnings have failed to match dividends for the past two years, first as a result of a string of problems in its European and US operations, and more recently, the property slump in Canada.

Mr Kersi Doodha, analyst with Maison Placements Canada, said in a recent report that "management is of the view that so long as there is no 'permanent impairment' in profitability, payout of dividend higher than earned is justified. More conservative investors may have a contrary view."

An RT official insisted that the company was financially sound and knew of no reason why the share price should have dropped as far as it had. Nonetheless, share prices indicate that investors believe the quarterly dividend, currently at 18.5 cents a share, will be cut when interim results are published on July 23.

Noranda is another Bronfman company whose C$1-per-share annual dividend has far exceeded its profits in recent years. Second-quarter earnings are also likely to be mediocre, and it is committed to heavy spending to curb pollution at its pulp and paper mills. But the directors appear to be hoping that profits will soon recover smartly on the back of a further upturn in commodity prices.

Mr Julian Baldry, analyst at Nesbitt Thomson in Toronto, predicts that "if necessary, [Noranda] will sell assets to maintain the dividends". If anything, the plunge in share prices could stiffen the resolve of some Bronfman companies not to cut dividends.

Compulsory share purchase schemes, often financed by bank loans, are another hallmark of the Bronfman management style. The last thing that executives, already staring a big capital loss in the face, want to see is a cut in their personal income stream.

Earnings fall at US broking houses

By Patrick Harverson in New York

FIRST SIGNS of a slowdown in business on Wall Street appeared yesterday when two of the biggest broking houses, Merrill Lynch and PaineWebber, both reported second-quarter earnings that were strong but below the record levels achieved in the first three months of the year.

Merrill posted net income of $227.7m in the April-June period, up 24 per cent on a year ago but well below the record $277.5m of the first quarter of 1992.

PaineWebber's second-quarter profits were $45.7m, up on the $33.7m a year ago but down 38 per cent from the first quarter.

Although the broking industry remains healthy, the inability of companies to match the record first quarter reflects a decline in equity underwriting business, especially in initial public offerings (IPOs), and a drop in trading profits, due mainly to the recent poor performance of domestic and international stock markets.

Recent sales of stock funds have shrunk compared with record first-quarter levels, as stuttering stock prices have made equities less attractive. The July 2 cut in interest rates, however, may persuade more investors to switch to stocks from low-yielding short-term instruments.

At Merrill, investment banking remained the best-performing division, with revenues rising 27 per cent in the quarter to a record $399m. Strong bond underwriting and a pick-up in M&A advisory business helped offset the slack IPO market.

Revenues from principal trading, particularly of government and municipal securities, corporate bonds and swaps, were buoyant at $552m, but lower than the $574m earned in the first three months. There was a similar quarter-on-quarter decline in commission revenues, which reached $569m, up 8 per cent on a year ago. Asset management and custodial fees rose slightly to $217m, while non-interest expenses rose 13 per cent to $1.7bn.

It was a similar picture at PaineWebber. Revenues from broking commissions, principal trading, investment banking and asset management all remained strong but below record first-quarter levels. Merrill rose $⅞ to $52⅞ and PaineWebber climbed $¼ to $22⅞ on the New York Stock Exchange.

UK institutions seek shareholders' rights

By Norma Cohen, Investments Correspondent

UK institutional investors have written to European stock exchanges asking them to move against rules which limit shareholders' ability to obtain information about companies and influence management.

The UK Institutional Fund Management Association, a trade association, wrote to heads of all the European stock exchanges last week urging them to protect voting rights of shareholders to encourage non-domestic investment.

"The association is concerned at the restrictions that exist in many European countries on voting and shareholder rights," said Mr Paddy Linaker, IFMA chairman and chief executive of M&G Group, the unit trust managers, in the letter. "We believe that the effect of restrictions on voting and shareholder rights is to discourage investment interest and reduce companies' access to capital, or at least worsen the terms on which it is available."

European companies – and the exchanges where their shares are traded – have expressed little enthusiasm for UK and US-style shareholder activism. Yesterday, Mr Ronald Weichert, a spokesman for the Frankfurt Stock Exchange, said the exchange did not believe its practices were restrictive or that changes were necessary. German rules which allowed companies to limit shareholders' votes to 5 per cent of their stake only affected a small number of companies, he said.

UK fund managers, increasingly flexing their muscle with corporate boards at home, have been frustrated by their lack of influence with European corporate boards, in spite of rising investments there. Mr Stephen Dowds, a director at Capital House Investment Management, said: "The vast amounts of money invested by international investors should not be seen by company managements and controlling shareholders as a cheap source of funds to be rewarded only by an annual report in English, the occasional presentation at the Savoy and a fraction of a voting right."

Ms Margaret Stoker, European fund manager at Capital House, cited Dutch "certification" rules. These allow companies, such as Philips, to issue shares into a holding company it controls. Voting rights then accrue to the holding company and no hostile bid can succeed.

BET plans Amps repayment after £200m rights issue

By Richard Gourlay in London

BET, the business services group, is to raise £200.7m ($385m) in a rights issue to redeem Auction Market Preference Shares (Amps), joining the growing list of UK companies disenchanted with the hybrid form of debt and equity.

The company is to repay $380m of its $500m of Amps by means of a one for four rights issue underwritten by Baring Brothers at 110p, 19p below BET's closing price yesterday.

Mr John Clark, BET chief executive, said the repayment was part of a financial restructuring of the group.

The cost of financing BET's Amps has risen from slightly below commercial paper rates in 1991 to a 21 per cent premium this year, removing the benefit of what should have been a cheaper form of financing. BET's Amps issue also accounts for about 25 per cent of all the issues by non-US companies, which Mr Clark said was reducing the marketability of the instruments.

US institutions tend to want to invest in the Amps of triple-A rated companies, such as Coca Cola, and have extracted a higher dividend to compensate for the lack of liquidity and additional risk connected with BET's preference shares. The dividend rates on Amps are set at auction every month, generally in relation to interest rates prevailing on US commercial paper.

Following the exceptional and extraordinary charges that BET announced with its final results last month, shareholders funds fell almost 40 per cent to £113.8m. As a result, the preference shares made up 72 per cent of shareholders' capital and reserves, which BET directors said was too high.

The $120m balance of the Amps will be repaid out of the company's own resources either from disposals or from cash internally generated.

Because BET considers its Amps to be a mezzanine form of equity and not debt, the repayment will not substantially alter the reported gearing ratio of about 25 per cent. However, if as many analysts believe, the Amps are really debt, gearing after the repayment can be considered to have fallen from about 280 per cent to 45 per cent.

Mr Clark said the redemption of the preference shares was the latest action to return BET to a growth path.

Lex, Page 16; Future of Amps, Page 23

Lord King to be BA's president for life

By Daniel Green in London

LORD King handed over command of British Airways to his deputy Sir Colin Marshall yesterday after 11 years at the controls of the formerly state-owned airline.

He will remain non-executive chairman for another year before becoming the company's first life president, an honorary position.

Sir Colin will implement an economy drive aimed at cutting another £150m from the company's costs this year.

He takes charge of one of the few airlines to have increased profits during 1991.

Last year saw the first fall in the number of international airline passengers, and the world's airlines between them lost about $1.5bn (£780m) last year, Lord King told the company's annual meeting in London yesterday. In a farewell speech punctuated by shareholder applause, Lord King said he had hoped "to leave some small footprint in the sands of time. I have decided to reduce my executive role in the company from today," he said. "The single most important step I took was to find and recruit Colin Marshall. When I step down [as non-executive chairman] I shall propose that I shall be succeeded by Sir Colin."

There was some aggressive questioning from shareholders on the company's plans to amend its articles of association to take control of the level of foreign ownership of shares. That control has been in the hands of the UK government since the company was privatised in 1987.

Trevor Humphries

Lord King: leaving a small footprint in time

The amendment to the articles of association was eventually passed, and the company now has full control over the level of acceptable foreign ownership in the company.

Lex, Page 16; Observer, Page 14

ING lifts stake in BBL to 10.03%

By Andrew Hill in Brussels

BANQUE Bruxelles Lambert, the Belgian bank, yesterday came under renewed pressure to choose Internationale Nederlanden (ING) as a strategic partner when the Dutch banking and insurance group revealed it had increased its stake in BBL to 10.03 per cent.

The BBL board will meet today to discuss whether it should link up with ING or with Crédit Communal, the publicly-owned Belgian credit institution.

ING said yesterday it had added a further percentage point to its BBL stake in order to demonstrate its determination to co-operate further with the bank. BBL is unlikely to make a firm decision today.

The boardroom debate is likely to revolve around the vexed question of whether Belgian companies should be allowed to fall under the influence of non-Belgian partners. According to opponents of such deals, that has been the fate of Société Générale de Belgique, Belgium's largest holding company, since France's Compagnie de Suez bought a majority stake.

But Brussels stockbrokers and the BBL's own management believe it would be short-sighted of the bank to ally itself with a strictly domestic institution like Crédit Communal, which is jointly-owned by all the municipalities and provinces of Belgium. "If BBL wants to grow on the European level it would be a little unhelpful to link up with a Belgian bank," said one BBL official yesterday.

Pressure from the Crédit Communal camp is also being stepped up. Last week, Banque Internationale à Luxembourg bought a 5.7 per cent stake in BBL from Groupe Bruxelles Lambert, the Belgian holding company which is the bank's largest shareholder. Crédit Communal is the Luxembourg bank's main shareholder, and Mr Albert Frère, who heads GBL, is believed to favour a Belgian future for BBL.

ING said in April that it was interested in buying all or part of the GBL stake.

Westpac to quit London Eurobond market

By Richard Waters

WESTPAC yesterday became the last Australian bank to give up a significant presence in the London-based Eurobond market, following the departure of the ANZ group two years ago.

The bank's decision, which resulted in the loss of 20 jobs, also signals the poor return on capital earned by some banks in the Eurobond market, despite the high level of bond issuance this year.

The bank's departure leaves the Australian dollar section of the international bond markets almost entirely in the hands of non-Australian banks, led by Hambros and Deutsche Bank.

Westpac said the move was part of its strategy of concentrating on domestic customers. The bank had been active mainly as a trader of Eurobonds, rather than an underwriter, and so did not consider the operation essential.

Bond trading had been only marginally profitable and did not justify the A$50m (US$37.3m) of capital tied up in running its trading positions, the bank said. Instead, it said it will use the capital in higher-margin areas, such as commodity and equity derivatives and swaps.

In a further move to trim its London operations, Westpac said it would limit its corporate banking activities in the UK almost exclusively to servicing Australian clients. The decision is expected to lead to further redundancies. Westpac also announced the closure of its nine-person Paris branch.

Fondiaria chairman voted on to supervisory board of AMB

By Andrew Fisher in Frankfurt

AACHENER und Münchener Beteiligungs yesterday followed up the ending of hostilities with Assurances Générales de France (AGF) by tightening links with another foreign minority shareholder, Fondiaria of Italy.

Shareholders at yesterday's annual meeting voted Mr Camillo de Benedetti, the chairman of the Italian insurance concern, on to AMB's supervisory board together with Mr Michel Albert, the head of AGF, with which the German company last week reached an accord after a battle over full voting rights.

As expected, Mr Wolf-Dieter Baumgartl is stepping down as AMB's chief executive after failing to keep the French company at bay. Yesterday's decisions show that AMB is now on much warmer terms with both AGF, which owns just over 25 per cent of its shares, and Fondiaria, which has 20 per cent. Recently, it had been speculated that Fondiara might sell its AMB holding.

The French and German companies said last week they had reached agreement over the voting rights attached to AGF's stake. Previously, AMB had refused to recognise full voting rights on the holding, as it was able to do under German company law. Now AGF will be able to exercise these rights; in turn, it has dropped legal action against AMB on the issue and agreed to back the board at future annual meetings.

Mr Helmut Gies, chairman of AMB's supervisory board, said Mr Baumgartl's contract had been dissolved by mutual consent. The settlement of this dispute also paves the way for Crédit Lyonnais, the French state-owned bank, to take a majority stake in BfG, the bank in which AMB bought control five years ago and which has since proved a financial drain. AMB will keep its co-operation agreements with Fondiaria and Royal Insurance of the UK.

Mr Baumgartl will be replaced by Mr Wolfgang Kaske, 61, head of the group's subsidiary, AMB Volksfürsorge in Hamburg. Mr Kaske, the brother of Mr Karlheinz Kaske, who steps down soon as chief executive of the Siemens concern, was previously on the AMB management board.

Shareholders were also told yesterday by Mr Wilfried Boysen, the finance director, that AMB's results would at least match those of 1991, when net profits totalled DM74m ($46m).

Hoogovens buys control of NB Steel

HOOGOVENS, the Dutch steel producer, has agreed to acquire the 60 per cent it did not already own in Norsk Blikkvalseverk, of Norway, AP-DJ reports from Amsterdam.

NB Steel will add 130,000 tonnes a year to Hoogoven's annual steel production of 670,000 tons for the packaging industry.

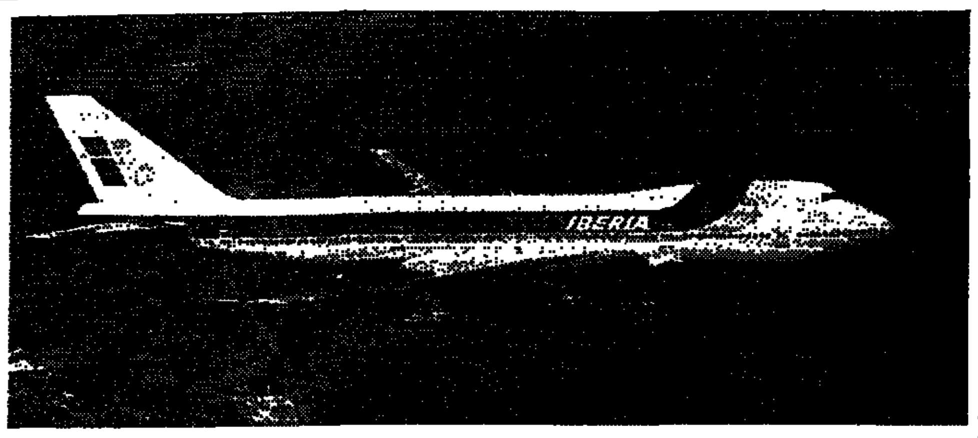
The Dutch company declined to disclose revenues from its packaging steel business. However, prices presently run at between Fl 800 and Fl 1,200 ($700) per tonne, depending on the type and quality of the steel being used, industry officials said.

Hoogovens said the full takeover of Bergen-based NB Steel would strengthen the Dutch company's position in the world packaging steel industry. Hoogovens acquired the initial 40 per cent stake in NB Steel in January 1990.

Meanwhile, Hoogovens declined to comment on a report that it is seeking a deferral of payments on a loan from the Dutch government.

Hoogovens is seeking to reschedule payments on the 10-year, Fl 570m subordinated loan issued in 1984 by the Economics Ministry, according to the report.

The loan was obtained to help finance a far-reaching restructuring plan following the collapse of Estel, its partnership with Hoesch, the German steel manufacturer.



Turbulent times: Iberia's losses indicate that an expected influx of visitors has failed to materialise

Iberia turns in further losses

By Tom Burns in Madrid

IBERIA, Spain's government-owned air carrier, is continuing to make heavy losses despite a capital injection from public funds earlier this year and the high profile Spain has received as the host of the summer Olympic Games in Barcelona and of the Seville Expo '92.

According to Madrid newspaper reports, the airline lost up to Pta25bn ($265m) in the first six months of the year. Iberia officials said the company did not release its first-half results but conceded that losses had been substantial and that the reports were largely accurate.

Iberia admitted losses of Pta35bn over the same period last year and finished the 12 months Pta52.2bn in the red.

The officials said that overall losses this year were expected to be well down on the 1991 figures but were nevertheless likely to overshoot the target of a Pta8bn shortfall.

Iberia's disappointing performance so far this year risks raising further questions at the European Commission's Competition Directorate which is already investigating a first-quarter Pta120bn capital injection to the airline provided by INI, Spain's public sector conglomerate.

The directorate could rule that the recapitalisation, purportedly to finance Iberia's fleet renewal and the airline's expansion in Latin America, had instead been chiefly allocated to stemming losses.

The officials said there was an outside possibility that Iberia might have to pay back to INI 10 per cent, Pta12bn, of the funds it had received.

Iberia's losses also indicated that a hoped for influx of foreign visitors to Spain on account of the 1992 events had failed, so far, to materialise.

The officials said that revenue from the airline's European and transatlantic traffic had been considerably less than that which had been initially forecast.

Under an ongoing rationalising plan, designed in part to justify the capital injection, Iberia has reduced its 28,000 payroll by 1,500 over the past six months.

These were the first staff cuts in the company's history, and a further 1,500 employees will leave the company before the end of the year under early retirement and voluntary redundancy schemes.

Fiat to expand Japanese link-up

By Robert Graham in Rome

FIAT has decided to expand its co-operation with Japan's Hitachi and Sumitomo in the field of earth-moving equipment.

The Turin-based automotive group yesterday signed an agreement to form Fiat Hitachi Construction Equipment, controlled 80 per cent by Fiat Hitachi Excavators and 20 per cent by NH Geotec. Fiat Hitachi Excavators is already controlled 51 per cent by Fiat, 44 per cent by Hitachi and 5 per cent by Sumitomo.

The new venture is to be controlled ultimately 51 per cent by Fiat through Geotec and based at Lecce in southern Italy. Whereas the previous venture combined the Italian groups and the two Japanese companies' production and technology in hydraulic excavators, the new deal extends this to roller loader, dozers and construction equipment.

The agreement follows the decision by John Deere earlier this year to pull out of a three-pronged venture. Fiat will be pooling its resources from FiatAllis in Geotec which includes a commercial network in Europe, Africa and the Middle East; while the Japanese partners will bring in Equipco, Hitachi's French-based distribution arm as well as technology and quality control.

In four years, the original Fiat Hitachu alliance has seen its share of the European market rise from 7 per cent to 13 per cent. The capital for the new venture has yet to be decided.

Coles Myer sells Sandhurst Dairies

COLES Myer, Australia's biggest retailer, said yesterday it was selling its Sandhurst Dairies business, the third-biggest milk producer in Victoria, to QUF Industries, AP reports from Melbourne. The sale has been agreed in principle, but is subject to final negotiations.

AKZO in top management reorganisation

AKZO, the Dutch chemicals group, has announced a reorganisation of senior management in line with the company's previously-announced restructuring, AP-DJ reports from Amsterdam. The company's board of management will be doubled to six members. Mr M. D. Westermann will retire a year ahead of schedule on May 1 1993, when the board changes take effect. The AKZO management team will continue to be headed by Mr Aarnout Loudon, the chairman, and Mr Kees van Lede, vice-chairman.

NEWS IN BRIEF

■ Bremer Vulkan, the German shipbuilding and engineering group, said group net profit in 1991 rose to DM74m ($50m) from DM34.8m in the previous 12 months, Reuter reports from Bremen. The group will not pay a dividend for the current year due to the loss carried forward from past years but had not decided on the dividend policy for 1993. The 1991 parent net profit rose to DM21.2m from DM20.8m.

■ Ralphs Supermarkets, one of the largest supermarket operators in California with 156 stores, yesterday withdrew a proposed offering of 6.075m shares, writes Nikki Tait in New York. Ralphs is the latest in a line of companies which have either cancelled or scaled down share offerings recently. The food retailer said that the equity market was "dramatically different" from when it started the process.

Primerica shows 28% profits rise

By Patrick Harverson in New York

PRIMERICA, the US financial services group, yesterday reported a 28 per cent rise in second-quarter profits to $150.5m, due to a continued strong performance from its broking and investment banking subsidiary, Smith Barney.

The recent slowdown in Wall Street business activity, however, meant that second-quarter earnings for both Primerica and Smith Barney were below the record levels achieved in the opening three months of the year.

Primerica earned $220.8m in the first quarter, although almost one-third of that came from one-off sales of stock in subsidiaries.

Smith Barney earned $42.4m in the April-June period, up 13 per cent on a year ago but well below the $56.1m profit made in the first quarter. Earnings from retail broking operations and its institutional investment banking business were strong, but lower than the previous quarter.

The recent cut in US interest rates, however, is expected to boost Smith Barney's business as investors switch into stocks from lower-yielding short-term instruments such as bank certificates of deposit and money market funds.

At Primerica's consumer finance services operations, earnings were 10 per cent higher than in 1991 at $47.5m, but virtually flat compared with the January-to-March period. Similarly, insurance services were little changed on the first quarter at $45.5m but slightly higher than a year ago.

Primerica's figures were warmly received on the New York Stock Exchange, where the group's share price rose $1⅛ to $40⅝ in active trading.

● The Federal Reserve Board approved a proposal by BankAmerica Corp of San Francisco to indirectly acquire HonFed Bank of Honolulu and some of its non-banking subsidiaries, Reuter reports from Washington.

H.F. Holdings is the third largest deposit-taking institution in Hawaii.

Earnings up 46.7% at First Fidelity

By Alan Friedman in New York

FIRST Fidelity, the biggest bank in New Jersey, yesterday unveiled a 46.7 per cent increase in its second-quarter net earnings, to $76.3m.

The 500-branch bank, whose earnings per share rose from 80 cents to 93 cents year-on-year, has been recovering from property loan losses caused by exposure to Mr Donald Trump and other developers.

Mr Tony Terracciano, chairman of First Fidelity, said that while loan demand remains sluggish, earnings were beginning to reflect the benefits of the core retail franchise and a more positive trend in the quality of assets.

During the second quarter, First Fidelity's non-performing loans declined by $60m to $596.7m. The level of non-performing loans as at June 30 was 25 per cent lower than the $803m level a year ago.

The bank, which with $29.3bn of total assets is the 25th-largest in the US, said its improvement was helped by a rise in net interest margins and a 10.8 per cent rise in service fees on deposit accounts.

● Chase Manhattan said it expected to receive $40m to $50m in interest payment on cross-border loans to Brazil during the second half of 1992, following the recently-announced agreement between Brazil and its leading bank creditors.

The bank received $9m of interest payments during the second quarter. Chase said that $557m of its total Brazilian debt of $1.2bn is presently classified as non-performing.

Mr Michael Esposito, chief financial officer, said he expected the level of bad debt provisions to continue at relatively high levels this year.

Honeywell ahead after settling patent claims

By Martin Dickson

HONEYWELL, the US controls company, yesterday reported a 10 per cent increase in second-quarter net income, due largely to gains from settlements in a long-running dispute over camera technology.

The group produced net income of $85.1m, or $1.23 a share, on sales of $1.49bn, compared with income of $77.6m, or $1.10 a share, on sales of $1.52bn in the same period of last year.

However, some $7.4m in after-tax profits, or 11 cents a share, was due to Honeywell's settlement with various companies for their use of the company's patented technology for automatic focusing cameras.

A court in New Jersey ruled in a test case in February that Minolta, the Japanese camera manufacturer, had infringed Honeywell's patent. Minolta subsequently agreed to settle the suit for $127.5m, and since then Honeywell has been reaching settlements with other camera manufacturers.

It said yesterday it expected to report additional settlements in the third quarter.

In the second quarter, its home and building controls unit made $48.2m in operating profits, up from $32.1m a year earlier, on sales up from $512m to $557m.

The industrial unit made $45.1m, down from $58.1m, on sales which rose from $412m to $430.4m. The company said a changing product mix and aggressive pricing competition meant lower margins.

The space and aviation business saw operating profits of $63.6m, compared with $60.6m, on sales down at $460.9m, compared with $548m. The sales drop was due to lower demand for commercial flight systems. The improved profit was attributed to "rigorous cost controls, a favourable product mix in military avionics and non-recurring inventory valuation adjustments in commercial flight systems".

Boise Cascade posts $45m loss

By Martin Dickson in New York

BOISE Cascade, the US forest products group, yesterday announced a second-quarter net loss of $45m and indicated it would remain in the red until 1993.

"If the economy continues to grow at a modest rate, and if we are able to obtain further modest increases in paper prices, Boise Cascade should return to profitability during 1993," said Mr John Fery, the chairman.

The second-quarter loss, which worked through at $1.38 a share, compared with losses of $32.6m, or 95 cents a share, in the same period of last year. Sales totalled $932m, down from $978m.

The US paper industry has been suffering from a sharp cyclical downturn for the past two years, but analysts have been forecasting a modest recovery during 1992.

However, another leading manufacturer, Georgia-Pacific, depressed Wall Street expectations last week when it announced it would only make a small second-quarter profit.

Boise Cascade said the operating performance of its paper and paper products division in the second quarter continued to be severely affected by weak paper prices, which were on average modestly below the very low levels reached in the first quarter.

Results compared unfavourably with a year ago.

Prices for business and printing papers and market pulp strengthened modestly in the second quarter, relative to the first quarter, but newsprint, coated and uncoated groundwood paper prices reached new lows in the cycle.

The group's office products segment, hit by the weak US economy, saw profits down from a year ago on slightly higher sales volume. The dip was attributed to a seasonal swing from the first quarter, pressure on margins and the divestiture of the wholesale office products distribution operations.

Building products saw income modestly stronger than the second quarter of last year but down on the first quarter of this year. Lumber prices rose to record levels in the first quarter but have moderated since then.

Strike hits Kroger second period

By Nikki Tait in New York

KROGER, the US food retailer which took on a heavy debt load when it conducted a defensive restructuring in 1988, yesterday reported an after-tax loss of $29.4m for the three months to June 13.

This compares with a $30.6m profit in the same period a year earlier.

Earnings before interest, tax and depreciation – the company's operating cash-flow – were also down sharply, at $184.4m, compared with $235.6m for the same period of 1991. Interest charges fell from $123.7m to $110m.

Kroger's poor results are partly due to a strike by clerks and meat-cutters in the Michigan region. However, the figures also underline the extremely tough competitive conditions faced by many supermarket groups in the US at present.

Mr Joseph Pitcher, chairman, said the 67-day stoppage in Michigan explained virtually all the decline in second-quarter cash-flow.

He added: "Clearly, the slow pace of economic recovery had not yet restored the confidence of consumers who continue to watch household spending on consumable items."

Total sales in the second quarter were $5.07bn, down 0.3 per cent on the same period a year earlier. But, even with the effects of the Michigan stoppage excluded, same-store sales were flat.

In the first six months of 1992, Kroger has reported an after-tax loss of $38.7m, compared with a profit of $36m a year earlier on sales of $10.1bn against $9.99bn.

The 1992 figure, however, is struck after a $64.2m extraordinary loss from the early retirement of debt. Ahead of extraordinary items, profits would be down from $71.1m to $47.7m.

Legal charge exacerbates Bethlehem loss

By Martin Dickson

BETHLEHEM Steel, the second-largest US steel group, yesterday reported a second-quarter loss of $64m after taking a $25m charge in connection with a legal battle.

The company said that, excluding the charge, its net loss for the period was $39m, a little better than the $45m loss recorded in the same period of last year.

Bethlehem only announced its bottom line figures yesterday and said its complete results for the period would be unveiled on July 29.

The $25m charge increases the company's reserve for loss contingencies in connection with a dispute over title to coal previously mined by Bethlehem.

In early June, the Kentucky Supreme Court filed a 4-3 opinion adverse to Bethlehem in the case.

Bethlehem said that in the second quarter its steel production costs were lower than in the first quarter, but average realised prices were also lower for most of its products. It expected prices to improve later this year and in 1993 if the US economy improved.

Westinghouse Electric income slips

By Martin Dickson

WESTINGHOUSE Electric, the US conglomerate, yesterday reported a slight drop in second-quarter net income as a weak US economy battered many of its sectors and its troubled financial services operation suffered a substantial dip in profits.

Westinghouse reported net income of $122m, or 35 cents a share, on revenue of $3.15bn, compared with net income of $127m, or 41 cents a share, on revenues of $3.17bn in the same period of last year.

The financial services operation, Westinghouse Credit Corporation, which is being sharply reduced after making some disastrous property investments, reported net income of $2.1m on revenues of $172.2m, compared with profits of $19.5m on revenues of $264m in the same period of last year.

Westinghouse Electric's operating profit for the period was flat at $252m, with an operating profit margin of 8 per cent, against 7.9 per cent a year ago.

Interest expense, excluding financial services operations, rose from $57m to $67m due to expenses from a new revolving credit facility, part of Westinghouse's bolstering of its financial position following the property problems. Westinghouse said its broadcasting unit produced higher operating profits on flat revenues.

Rubbermaid optimistic

RUBBERMAID, the US rubber and plastic products group, is cautiously optimistic about the current year and expects to continue record sales and earnings, Reuter reports.

Rubbermaid posted second-quarter net income of $43.7m, or $0.27 a share, on sales of $449.1m, compared with $39.1m, or $0.25 a share, on sales of $417.3m in the second quarter of 1991.

Coca-Cola improves 20.4% to $581m

By Nikki Tait

COCA-Cola, the Atlanta-based soft drinks group, yesterday reported a 20.4 per cent improvement in second-quarter profits after tax, at $581m.

Earnings per share improved by a slightly larger 22.2 per cent, to 44 cents, compared with 36 cents a year ago.

Sales during the second quarter reached $3.55bn, up 16.8 per cent over the same period in 1991.

Coca-Cola said that unit case sales in its domestic market fell by 1 per cent, and gallon sales of concentrates and syrups by 2.5 per cent, as stocks were run down.

However, in Europe warm weather and heavy marketing lifted second-quarter unit sales by 14 per cent year-on-year. This included gains of 25 per cent in France, 17 per cent in Britain and 12 per cent each in Germany and Italy.

Coca-Cola said worldwide soft drink volume continued to advance in the second quarter, with international unit case sales increasing 4 per cent and gallon sales advancing 3 per cent despite softness in the high volume markets of Brazil and Mexico.

First-half net income advanced to $964.1m from $803.3m in the previous year on sales which rose to $6.3bn from $5.5bn. Earnings per share for the period were lifted to 73 cents from 60 cents.

INTERNATIONAL COMPANIES AND FINANCE

A corporate marriage made to last

Steven Butler looks at the durability of the AMD-Fujitsu production venture

WHEN a minnow marries a whale, one can only wonder how long the whale will wait before it swallows his mate.

The alliance agreed this week between Fujitsu, Japan's biggest computer company with $25.9bn in sales last year, and Advanced Micro Devices (AMD), ranking only fifth among America's semiconductor makers with sales of $1.2bn, raises that question.

However, Mr W. J. Sanders, chairman of AMD, has structured a deal that could just withstand strains within the partnership and make the marriage last.

Not only have Fujitsu and AMD agreed to jointly build a $700m factory to manufacture flash memory devices, one of the hottest products in the electronics industry, they have also agreed to buy small equity stakes in each other.

While cross-shareholdings are normal practice in Japan among closely-associated companies, this is a first in trans-Pacific technology alliances and represents a tangible commitment to a long-term partnership.

Fujitsu and AMD will establish a 50-50 joint venture company that will build the factory to make flash memory chips. These retain information, just like a disc drive or tape recorder, when power is switched off, and can also perform data processing tasks. Dataquest, the research company, expects the market for these devices to expand from about $150m a year to $1.5bn in 1995. Many in the industry expect a market bigger than $5bn by the end of the decade.

AMD and Fujitsu hope to establish a leading position quickly. The factory will open in late 1994 and have a capacity of 20,000 eight-inch silicon wafers a month.The two companies hope this will give them more than 20 per cent of the world market – an ambitious goal that requires a large financial commitment and close co-operation.

AMD has flash technology, but needs a big partner to shoulder the financial burden and the large market risks. Fujitsu needs the technology and, with around $8bn in consolidated net debt at the end of March, it could use a partner to share the costs.

The venture covers only the most advanced devices – using circuitry of 0.5 micron (millionth of a metre) width or smaller. The agreement, however, also forbids either partner from producing these devices outside the joint venture, effectively preventing them from competing against each other.

This pact is a conscious attempt by the two companies to avoid the pitfalls that have struck many US-Japanese technology alliances. US companies have been accused of providing basic technology on the cheap to Japanese companies.

While the agreement is the third in a series of cross-border alliances in flash memory announced this year, it goes further than the others. Intel, the US company which dominates the world's microprocessor industry and today has 85 per cent of the world's flash memory market, is providing technology to Sharp, the Japanese electronics company, which will manufacture advanced flash chips in Japan. IBM and Toshiba last month agreed to share technology to develop a proprietary flash technology owned by Toshiba, which invented the devices in 1984.

Neither of these agreements involves joint manufacturing or equity ties.

AMD will give some of its cash to Fujitsu in return for new shares, and Fujitsu will give cash back to AMD for some of its shares.Japanese companies have long felt comfortable owning small chunks of their business partners. Mr Sanders insisted that this be part of the deal so that Fujitsu would have an interest in the financial success of AMD.

The share holdings are limited to 5 per cent or less and are still to be negotiated, but Fujitsu is likely to own a much bigger stake in AMD than vice-versa.

"This collaboration is based on a spirit of equal partnership and co-operation," Mr Hikotaro Masunaga, Fujitsu managing director, said.

Equal or not, the deal is a marriage rich in convenience. AMD has flash technology, but needs a big partner to shoulder the financial burden and the large market risks. Fujitsu needs the technology and, with around $8bn in consolidated net debt at the end of March – after a fiscal year when it was battered by weak semiconductor markets – it could use a partner to share the costs.

The two companies also stressed the complimentary nature of their technologies, leaving plenty of scope for further co-operation. Still, it would be difficult to imagine such a deal being struck until recently.

Mr Sanders cited three reasons why. First, the cost of capital in Japan was so cheap until recently that Japanese companies did not need partners – now they are paying world rates or more.

Second, the costs of developing new technology and building plants has also risen sharply. Third, Japanese companies are paying more attention to profitability than before, and it is easier to agree on an expected margin of return. "This produces an environment in which enlightened companies can join together for their mutual benefit," said Mr Sanders.

Federal Express delivers $113.8m loss

By Nikki Tait in New York

FEDERAL EXPRESS, the largest overnight package delivery business in the US, suffered a $113.8m loss after tax in the year to end-May.

The loss was scored on revenues down from $7.69bn a year earlier to $7.55bn. FedEx, which has been incurring heavy losses from its international operations recently, made a small $5.9m profit after tax in 1990-91.

However, in the previous year it reported a $115.8m surplus after tax, and $184.6m in 1989-90.

In the fourth quarter of 1991-92, Federal said the overall after-tax profit totalled $35.8m, up from $31m in the same period a year earlier.

But its international business remained in the red – although the operating loss from this division fell to $53.2m, on revenues of $536.1m, against a deficit of $74.6m on revenues of $633.5m a year earlier.

In March, FedEx announced a withdrawal from the highly-competitive European delivery industry, sub-contracting all its intra-European delivery business and laying off more than 6,000 employees.

This move, according to Federal, has succeeded in removing more fixed costs than revenue, thus aiding profitability. Express package volumes to and from Europe had been maintained at levels "ahead of expectations".

Mr Fred Smith, Federal's founder and chairman, warned that further improvement would "require a continuation of growth in international express package volumes and higher profit ability from international air freight business".

For 1991-92 overall, the loss from the Memphis-based company's international operations totalled $612.9m, compared with a $419.1m deficit in the previous 12 months.

The former figure, however, was scored after $254m of restructuring charges, largely to cover the withdrawal from Europe. The 1990-91 loss came after charges of $121m.

On the domestic front, where Federal Express carries about half the nation's overnight express packages, FedEx said the climate remained extremely price-competitive.

Despite this, Federal managed an operating profit margin of 12.2 per cent, which it attributed to productivity gains and cost improvements.

Glut squeezes margins at Alcan

By Bernard Simon in Toronto

EXCESS aluminium supplies squeezed Alcan's margins in the second quarter this year, contributing to a deeper loss for the period.

The Montreal-based aluminium producer also painted a sombre picture of its near-term prospects. "With considerable new capacity being added to the industry this year, it is difficult to see much relief for prices," Mr David Morton, chairman, said.

The net second-quarter loss was US$27m, or 14 cents a share, up from $5m, or 4 cents a share, a year earlier. The six-month loss also widened to $40m, or 22 cents, from $6m, or 7 cents.

The second-quarter figure includes a $9m after-tax charge, equal to 4 cents a share, for cost-reduction programmes. Similar charges of $17m, or 8 cents, were taken a year earlier. Revenues slipped fractionally to just under $2bn.

Mr Morton said an improvement in North America, Germany and France compared with the previous three months was offset by poor results from Japan, partly due to the weak performance of Nippon Light Metal Company.

Alcan shipped 191,000 tonnes of ingots in the second quarter, down from 219,000 a year earlier. Deliveries of fabricated products rose to 380,000 tonnes from 368,000 tonnes.

The average ingot price dropped by $38 per tonne to $1,431, but Alcan said its average production costs had fallen by more than $100 per tonne in the past year.

During 1991, Alcan laid off about 4,000 employees worldwide.

Marubeni buys 10% of smelter

MARUBENI of Japan has bought a 10 per cent stake in Portland Aluminium Smelter from the Victoria state government of Australia, AP reports from Melbourne.

Portland Smelter is majority-owned by Alcoa of Australia, a 51 per cent-owned subsidiary of Aluminum Company of America, with 45 per cent. The Victorian government retains a 25 per cent stake in the smelter following its sale of 10 per cent.

China International Trust & Investment Corporation (CITIC) and Australia's First National Resource Trust each own 10 per cent stakes.

Marubeni will pay A$171m (US$127.6m) for the stake, to be used by government agency, Aluvic, to retire debt. A stamp duty charge of A$9m will lift the cost to A$180m.

Victoria state has been hard hit by recession, being forced to sell assets including State Bank of Victoria, and a stake in its Loy Yang B power station. It is now selling the State Insurance Office.

Visa's US sales climb 11.5% in first quarter

By Alan Friedman in New York

VISA, one of the leading US credit card companies, said its first-quarter results showed an 11.5 per cent increase in domestic sales volume.

The San Francisco-based company claimed this was better than the average 10 per cent growth rate for other large credit card companies during the first three months of 1992.

The rise came in the face of what most economists see as continued weak US consumer confidence during the opening months of the year.

Visa said it recorded $40.7bn in card transactions for the quarter ended on March 31. The number of Visa cards in circulation in the US rose by 4.5 per cent to 143m cards.

Marudai seeks to boost ratio of cross-holdings

By Robert Thomson in Tokyo

MARUDAI FOOD, a Japanese food processing company, said yesterday it would raise its ratio of cross-shareholdings by encouraging banks and insurance companies to raise their exposure in return for lifting its own stakes in some of the financial institutions involved. The move comes at a time when many Japanese companies are reducing such links.

Japan's cross-shareholding system has been under pressure following the collapse of stock prices and the slowing of the economy. A fall in bank share prices in recent months was blamed on a weakening of that system as troubled industrial companies cashed in long-term holdings. Marudai plans to lift its ratio of stable shareholders from the present 55.3 per cent to around 60 per cent.

"We think it will help us increase profits. If there was not a good financial reason, we would not have this plan," the company said.

Marudai is likely to strengthen links with Sumitomo group companies which together already hold about 18 per cent of its shares.

One characteristic of the recent weakening of share links has been that some companies on the fringe of the large corporate families have decided that at present the cost of the connection outweighs the benefits. Other companies have chosen to identify themselves more closely with the large families, hoping to bolster their share price and to encourage other group companies to broaden business ties.

NEC, Motorola in telecom deal

JAPAN'S NEC Corporation and Motorola of the US will co-operate to offer mobile telephone systems made according to Japan's JDC digital mobile telecommunications standards, Reuter reports from Tokyo.

The systems will be sold in Japan and some parts of Asia, the only areas which use JDC-standard equipment.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 15.07.92 Pool purchase price £/MWh	Final Prices for Trading on 13.07.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.30	19.42	21.30
0100	17.79	19.42	21.30
0130	17.75	19.42	21.30
0200	17.76	19.42	21.30
0230	17.75	19.42	21.30
0300	17.79	19.42	21.30
0330	17.79	19.42	21.30
0400	17.79	19.42	21.30
0430	17.78	19.42	21.29
0500	17.75	19.42	21.30
0530	17.75	17.57	17.57
0600	17.88	17.57	17.57
0630	17.75	17.59	17.59
0700	18.30	18.31	18.31
0730	26.27	24.37	26.45
0800	26.36	24.37	26.41
0830	26.31	25.18	27.19
0900	26.86	25.88	27.90
0930	29.44	28.00	30.09
1000	29.79	28.00	30.03
1030	29.92	28.00	30.00
1100	30.14	26.70	28.69
1130	30.81	29.36	31.40
1200	31.24	29.36	31.39
1230	30.85	29.36	31.40
1300	29.76	29.36	31.40
1330	28.65	26.31	28.27
1400	28.78	25.16	27.10
1430	28.16	25.04	26.98
1500	28.13	24.93	26.87
1530	32.62	24.93	26.86
1600	32.71	25.86	27.81
1630	28.35	31.74	33.85
1700	28.41	31.74	33.84
1730	28.29	31.74	33.84
1800	28.12	31.74	33.88
1830	25.32	24.37	26.33
1900	26.26	24.37	26.36
1930	25.01	24.37	26.37
2000	24.47	23.12	25.08
2030	24.47	22.88	24.84
2100	24.13	22.40	24.34
2130	27.89	22.59	24.53
2200	28.03	28.00	30.06
2230	28.03	28.00	30.06
2300	28.03	28.00	30.10
2330	21.90	22.66	24.61
2400	18.20	19.86	21.73

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt hour the decimal point should be moved one place to the left, eg. £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0800-456783 between 8.30am and 5.15pm Monday to Friday.

INTERNATIONAL CAPITAL MARKETS

Gilts recover modestly as pound improves

By Richard Waters

THE prospect of a tightening in German monetary policy continued to hang heavy on European bond markets yesterday as investors dug in for the long wait until the Bundesbank meeting tomorrow.

GOVERNMENT BONDS

UK government bonds, which had slipped on Monday as sterling caught a bad case of the jitters over Germany, recovered some of their composure, along with the currency. Prices of longer-dated gilts moved to reflect continued signs of weakness in the UK economy and falling inflation, despite the trepidation caused by tough signals from the Bundesbank.

UK manufacturing output figures confirmed the recent trend, with output for May down 0.6 per cent and a provisional April rise of 0.1 per cent revised to a fall of 0.2 per cent. Investors preferred to take note of these figures rather than the latest producer prices, which showed an unexpected jump.

The benchmark 9 per cent gilts due 2008 picked up nearly half a point to 101 17/32, for a yield of 8.8 per cent, while the yield on partly-paid 9 per cent gilts due 2012 fell to 8.77 per cent, a price of 37 3/8.

On Liffe, the short sterling contract ended the day near its Monday close, having slid on the fears from Germany.

■ IN Germany, bunds firmed on the day as conditions in the money market remained tight ahead of the Bundesbank meeting.

In a moderately active day on Liffe, the bund futures contract advanced from 87.62 to 87.76 as traders reacted to the feeling that Monday's sell-off had been overdone. However, the market remained generally apprehensive – despite some suggestions that the bund market could actually advance on the back of any monetary tightening, taking it as an encouraging reaffirmation of the Bundesbank's determination to beat inflation.

The OECD, in its latest annual report on the German economy, added its voice to those calling for moderation in Bundesbank policy when it said: "A temporary above-target monetary expansion would not seem to call for further tightening of monetary conditions."

■ DESPITE further signs of the Japanese economy weakening – this time a 0.2 per cent fall in wholesale prices in June, in line with market expectations – the prime minister repeated yesterday there was no need for a cut in Japanese interest rates. The benchmark No 129 bond ended a quiet day at a yield of 5.175 per cent.

■ IN THE US, the yield curve steepened further yesterday as investors preferred the safety of short-dated maturities in the currently unsettled domestic political environment.

In late trading, the benchmark 30-year government issue was down 1/8 at 103 17/32, to yield 7.688 per cent. The two-year note, however, was firmer, up 1/8 at 101 5/16 to carry a yield of 4.277 per cent.

The yield curve has been steepening lately as investors buy short-dated paper over the longer-term securities, their demand spurred by faint hopes that the Federal Reserve may ease monetary policy again and by concern that President George Bush could lose the election in November.

At times of political uncertainty, short-term securities are always favoured as the safe haven of choice.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.3416	+0.138	8.89	8.67	8.65
BELGIUM		9.000	06/01	100.7000	+0.100	8.88	8.79	8.89
CANADA *		8.500	04/02	104.1300	–	7.89	7.84	8.15
DENMARK		9.000	11/00	99.4000	–	9.09	8.99	8.99
FRANCE	BTAN	8.500	03/97	97.7133	+0.109	9.10	8.94	8.94
	OAT	8.500	11/02	97.9600	+0.160	8.79	8.71	8.75
GERMANY		8.000	01/02	99.7800	+0.145	8.02	7.95	7.93
ITALY		12.000	05/02	94.5300	-0.180	13.42†	13.36	13.19
JAPAN	No 119	4.800	06/99	97.0946	+0.001	5.37	5.41	5.72
	No 129	6.400	03/00	106.7354	-0.031	5.17	5.18	5.46
NETHERLANDS		8.250	02/02	99.4800	+0.090	8.31	8.27	8.28
SPAIN		11.300	01/02	97.6300	-0.370	11.69	11.65	11.56
UK GILTS		10.000	11/96	102-21	+0/32	9.23	9.09	9.17
		9.750	08/02	104-20	+9/32	9.04	9.02	9.12
		9.000	10/08	101-17	+14/32	8.82	8.83	9.01
US TREASURY *		7.500	05/02	103.230	+1/32	6.96	6.87	7.27
		8.000	11/21	103.180	-4/32	7.69	7.61	7.83
ECU (French Govt)		8.500	03/02	96.7000	-0.050	9.01	8.88	8.98

London closing. *New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Bankers mull over a £5bn debt financing puzzle

Simon London on Treasury plans to sell utility loans

THE UK government's plan to sell up to £5bn of loans made to privatised utility companies presents bankers with one of the most teasing corporate finance puzzles since the privatisation programme was first hatched in the early 1980s.

Last week, Baring Brothers was appointed to advise the Treasury on the sale, following a competitive tender involving around a dozen banks and securities firms. Barings must now come up with a strategy by which the government can realise cash from its hotchpotch of loan assets.

The project has an air of urgency. The government has budgeted on raising £1bn this fiscal year, reducing the public sector borrowing requirement and the amount it must borrow from the gilts market.

The loans range in size from a substantial £350m loan to National Power due for repayment in 1998, to small loans of less than £50m to regional electricity companies. Some must be repaid next year; others do not mature until 2008.

Although the assets themselves are complex, bankers said the government has three simple options:

● The debt can simply be offered for sale to investors in its current form, since most is already structured as securities which are easy to trade.

The main problem with this approach is that the loans carry interest payments of up to 13.2 per cent, reflecting interest rates when the companies were privatised. If the paper was sold directly to investors it would need to be priced substantially above par redemption value – perhaps 107 or 108 per cent of face value.

Many investors are unwilling to buy bonds above par. UK taxpayers, for example, would pay full tax on the interest income from high coupons but would receive no deduction for capital loss when the bonds were redeemed at par. Continental European investors are also reluctant to buy bonds trading at a premium to face value.

Moreover, some of the debt – notably the £2.2bn loans to British Telecom – is in the form of registered securities, rather than bearer bonds favoured by international investors. Again, this limits the number of potential buyers.

One merchant banker commented: "Everything has a price, but selling most of this debt directly to investors may not be the most price-efficient solution."

● The debt could be repackaged into a more palatable form either by the government or an investment bank. For example, the debt could be injected into a special-purpose company which would issue bonds secured on this underlying holding.

The special-purpose company could then offer securities in a form favoured by investors: bearers bonds with coupons matching current interest rates and priced just below par.

Against this, the costs of repackaging debt are prohibitive. The special-purpose company would have to issue a larger principle amount of current coupon bonds than the face value of the underlying debt: £110m paper priced at par could be secured on £100m bonds trading at 110.

To achieve this, an investment bank could write a series of interest rate swaps with the special-purpose company. But this type of exercise is costly and would erode any gains from issuing more attractive, repackaged bonds.

● The debt could simply be offered to the utility companies themselves to buy back. The companies could either refinance the debt with new bonds or redeem it out of cash-flow.

Indeed, many of the loans oblige the government to at least consult the companies before it acts. Loans to the regional electricity companies (Recs) give them the pre-emptive right to buy back the debt before the government sells to a third party.

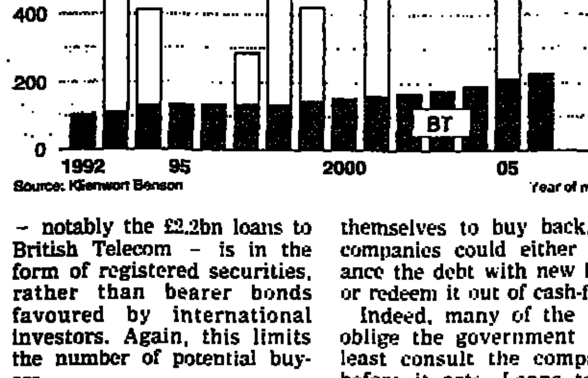
There would be little real cost-saving for the utilities even if the debt could be refinanced in the bond market at lower interest rates. In the case of the Recs, the price they would pay for the debt is set by a formula agreed at the time of privatisation. Hence, the companies would have to pay a premium to face value, just like any other buyer.

This could also lead to tax problems. The utilities receive tax relief on high interest payments, but get no relief on the premium above face value paid to the government to redeem the debt early.

It may be possible for some utilities to buy back the debt via an off-shore subsidiary set up in a jurisdiction where the premium is tax deductable. But, again, there are costs in setting up such an arrangement.

Against this, treasurers may see value in redeeming the government loans out of cash-flow or bank credit lines and refinancing later, at a time of their own choosing. This way the companies will regain the initiative, even if it means paying a premium for control.

Government holdings of utility company debt



Source: Kleinwort Benson

Ryoko Securities to pull out of Switzerland

RYOKO Securities, which is 33 per cent owned by the Mitsubishi Bank group, is to pull out of Switzerland, Reuter reports from Tokyo.

The Tokyo-based brokerage will return Ryoko Securities' Swiss licence on July 20. The move stems from shrinking primary and brokerage business in Switzerland, and to ensure help in underpinning cost-cutting in Japan.

● Three Japanese second-tier securities companies paid Y9.8bn to compensate clients' losses from securities trading during the two years to March 1992, according to the Finance Ministry.

The Tokyo Stock Exchange fined Dai-ichi Securities, New Japan Securities and Kankaku Securities Y5m each. Four officials at the three companies have resigned and 21 had their salaries cut.

The moves are part of last summer's compensation scandal which hit the Japanese securities industry. It centred on unethical practices.

Matsushita launches $1bn global issue

By Simon London

MATSUSHITA Electric Industrial, the giant Japanese consumer electronics group, waited until late afternoon in London yesterday before launching its ground-breaking $1bn global bond issue.

INTERNATIONAL BONDS

The 10-year issue, the first global issue by a corporation, will be priced today to yield 41 to 43 basis points more than US Treasury bonds. Some participants in the deal commented the pricing was tighter than anticipated.

However, the yield spread was agreed following talks between the borrower, the joint lead-managers, Lehman Brothers and Credit Suisse First Boston, and junior participants in the deal.

The registered bonds will be sold in the international and US domestic bond markets. Although the World Bank has seen strong European buying of its six global bond issues, the appetite of Euromarket investors for registered, corporate paper remains untested.

The late launch suggested the issue was targeted towards US investors. Syndicate officials said yield spreads in the US market were tighter than in the Euromarket, and demand from North America was seen as crucial to underpin the deal.

The syndication contained several features unusual in Eurobond issues, including a $300m "pot" of bonds from which underwriters can obtain additional paper for clients beyond their initial commitments. Lehman Brothers said it expected an equal distribution between the US and Europe, with Far Eastern investors taking perhaps 20 per cent of the bonds. Matsushita will use the proceeds of the issue to refinance debt relating to the purchase of MCA, the US entertainment group. Matsushita is the second Japanese company to launch a $1bn bond issue to refinance outstanding debt. In May, Toyota, the motor giant, launched a $1bn Eurodollar issue to refinance maturing equity-linked finance raised in the late 1980s.

The poor performance of the Tokyo stock market this year has made it impossible to raise equity-linked funding on any scale. Moreover, Japanese banks are less willing to increase credit lines as they work to meet capital-to-assets targets set by the Balse committee of central bank regulators.

However, bankers said yesterday that Matsushita was one of only a handful of corporations able to raise debt finance from the bond markets on this scale.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Matsushita Elec.Ind(b)†	1bn	(b)	(b)	2002	35bp	Lehman Brothers
YEN						
Sekisui House Ltd.(a)†	30bn	5.95	101.75	1999	1 7/8/1 1/4	Yamaichi Intl
ECU's						
EBRD(c)†	50	8 7/8	99.30	1996	-	Bk.of Tokyo Cap.Mkts.
SWISS FRANCS						
Nippon Flour Mills**♦	100	3 3/4	100	1996	-	Daiwa Bank.(Switz)
D-MARKS						
EIB(a)†	700	8	101 7/8	1997	1 5/8/1 1/8	Deutsche Bank

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Global issue. To be priced 15/7/1992. Coupon payable Semi-annually. c) Fungible with existing 500Ecu issue. Non Callable. Fees undisclosed.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 14

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	100 1/2	100 3/4		4.47
CREDIT FONCIER 5 1/4 94	20000	101 1/4	101 5/8	+1/8	4.74
DENMARK 7 95	40000	105 1/4	105 3/4	+1/8	4.69
EIB 4 5/8 94	40000	101 1/4	101 1/2	+1/8	3.96
ELEC DE FRANCE 5 5/8 96	20000	102 3/4	103 1/4	+1/8	4.89
FINLAND 6 3/4 96	50000	104 3/4	105 1/4	+1/8	5.25
INTER AMER DEV 7 1/4 00	30000	110 1/4	110 1/2	+1/8	5.59
KANSAI ELEC PWR 4 5/8 94	60000	100 1/4	100 3/4	+1/8	4.54
NIPPON TEL & TEL 5 7/8 96	50000	102 5/8	103	+1/8	5.16
NORWAY 5 1/8 95	50000	101 1/4	101 1/2	+1/4	4.66
SNCF 6 3/4 00	30000	107 1/2	107 3/4	+1/8	5.51
SWEDEN 5 5/8 95	20000	101 3/4	102 1/4	+1/4	5.01
WORLD BANK 6 3/4 00	50000	108 1/4	108 3/4		5.42

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
HILLSDOWN 4 1/2 02 £	150	3.97	120 3/4	121 3/4	
LAND SECS 6 3/4 02 £	84	6.72	80 1/4	81 1/2	+38.14
LASMO 7 3/4 05 £	90	5.64	75 1/4	76 1/2	
MITSUI BANK 2 5/8 03	200	2332.6	62 1/2	64 1/2	+42.20
MOUNT ISA FIN 6 1/2 97	100	2.283	103 3/4	104 1/4	+6.81
OGDEN 6 02	85	39.077	82 3/4	83 3/4	+70.45
SEGA ENTERPRISES 3 1/2 96	200	1301.8	102 1/4	103 1/2	+36.69
SMITH & NEPHEW 4 02 £	90	1.775	124 3/4	125 3/4	+53.24
SUMITOMO BANK 3 1/8 04	300	3606.9	61	62 1/4	+55.62
TEXAS INSTRUMENTS 2 3/4 02	300	82 3/4	93 1/4	94 1/4	
THORN EMI 5 3/4 04 £	103	7.16	122 3/4	123 3/4	+9.45

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price. The amount issued is in millions of currency units. Chg. day = Change on day

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem. = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	39	35	8
Other Fixed Interest	3	0	12
Commercial, Industrial	197	410	832
Financial & Property	108	150	537
Oil & Gas	20	18	48
Plantations	0	2	7
Mines	33	19	97
Others	40	45	48
Totals	440	679	1,589

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. r Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. ■■ Price at a premium. ♦ Units comprising 1 Ord. and 1 Zero Div. Pref. share.

TRADITIONAL OPTIONS

● First Dealings July 6
● Last Dealings July 17
● Last Declarations Oct. 1
● For settlement Oct. 12

3-month call rate indications are also shown on this page.

Calls in ASDA, Cookson, Forte, Haemocell, Hartstone, Lonrho, Medeva, Mining & Allied Supplies, Premier Cons., Ratners, Simon Eng., Slough Ests. and Tarmac. Put in Pentos.

LIFFE EQUITY OPTIONS

Euro Track 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle price.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p								
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	■ OILS	
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	Aviva Pet	25
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11 1/2	BP	18
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Burmah Castrol	48
BOC	53	FNFC	7	Lucas Inds	12 1/2	Thorn EMI	60	Conroy Pet	6 1/2
BTR	35	Forte	19	Marks Spencer	27	T & N	11 1/2	Gaelic Res	1/2
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Premier Cons	2 3/4
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Shell	36
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	Tuskar Res	1/2
Bowater	60	Glaxo	62	Racal Elect	5 1/2	■ PROPERTY		■ MINES	
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18	RTZ	47
British Steel	7	GRE	13	Rank Org	55	Land Sec	30		
BT	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1 1/2		
Charter Cons	37	Ladbroke	18	Sears	8 1/2				

Automotive side limits Triplex Lloyd's decline

By Paul Cheeseright, Midlands Correspondent

PRE-TAX PROFITS at Triplex Lloyd slipped 7 per cent in the 12 months to end-March as the industrial engineering group fought the weakness of the building products market.

However, a strong performance by its automotive and engineering and power divisions restricted the decline at the pre-tax line to £7.07m (£7.57m)

The group incurred an attributable loss of £2.59m after extraordinary items of £3.09m to cover the write-off of loss-making Canadian operations and a transfer to reserves of £4.85m for goodwill related to those operations. There was a profit last time of £5.3m.

The strength of the performance in the automotive and power divisions led to an increase of 18 per cent to *£10.3m (£8.7m) in operating* profits. The rise came largely because of an improvement in margins, from 6.5 per cent to 7.8 per cent in automotive and from 5.8 per cent to 7.4 per cent in power.

Earnings per share were 11.4p, down from 12.7p. The recommended final dividend is unchanged at 4.5p, bringing the total, for the third successive year, to 7p.

Although the group expects little over the coming year from its building products division, "automotive and engineering and power divisions are well positioned to sustain and indeed improve their profitability even if UK economic activity should remain depressed," said Mr Colin Cooke, chairman.

● COMMENT

Triplex Lloyd is now benefiting *from both an investment* and acquisition programme and a more concentrated focusing of its business. This is enabling it to pick up business in the automotive sector and exploit a power sector where demand is *strong anyway. Exposure to* the UK market is being reduced. There is no reason why this incipient strength should not be more apparent over the current year. Arguably then, the share price, latterly languishing around its 1992 low, looks cheap compared with some of its peers. In the expectation of higher profits this year – possibly about £9.5m, to give earnings of 12.5p – the prospective multiple at 137p is under 11, against an actual sector average of over 25.

Trevor Humphries

Power in his hands: Colin Cooke with a section of a gas turbine vane, one of Triplex' precision castings

Sterling Publishing recovers to £2.05m

By Peggy Hollinger

STERLING Publishing Group, owner of Debretts Peerage, appears to be recovering from untimely expansion in 1990, with the announcement of £2.05m in annual pre-tax profits, compared with a losses of £1.04m.

Mr Michael Preston, deputy chairman, was bullish about the current year, saying he would be disappointed if the company did not surpass 1990 profits of £4.4m. "Advertising is showing a very healthy increase. The current year is looking very good indeed."

Mr Preston said the group had increased advertising rev*enue by 40 per cent in the year* just ended, due to concentrating on more internationally marketable publications.

Turnover for the year to March 31 rose from £35.9m to £41.6m, including £7.63m from discontinued operations. Interest payable fell from £2.05m to £1.89m and debt was reduced by £3.16m to £17.6m. Since the end of the period borrowings have fallen by a further £3.6m, partly due to disposals.

Sterling, which publishes *reference and trade books* which earn their revenue through advertising, pulled out of or discontinued several titles during the year.

This meant a virtual turnround on the expansion of 1990-91 which brought the group into the sharply depressed US market. Jami, the direct marketing business, and two US publications had been sold since the year-end.

Costs of reorganisation and disposals made after the year-end of £5.34m (£1.56m) were taken as an extraordinary item. A further £4.57m (£1.62m) charge arose from the accounting requirement that goodwill previously written off be taken in the profit and loss account upon disposal.

The loss attributable to shareholders was almost doubled to £8.03m (£4.14m).

Fully-diluted earnings per share were 6.9p, although on a continuing basis they were 6.1p, compared with losses of 5.5p. The proposed final dividend is raised to 2p (1p), for a maintained *total* of 2.5p.

European sales rise helps Low & Bonar improve to £11.8m

By Angus Foster

LOW & BONAR, the Dundee-based packaging and plastics company, yesterday announced a slight increase in interim profits, buoyed by European sales.

At the pre-tax level they rose by 4.9 per cent to £11.8m.

Mr Jim Leng, who is being promoted later this year from chief executive, Europe, to group chief executive, said the performance was due to improved productivity and better margins, stemming from cost cutting.

Turnover for the six months to May 31 slipped to £151m (£152.2m) due to lower prices and a fall off in North Ameri*can sales. Poor* demand for industrial shipping sacks led to a pre-interest loss of £329,000 for the US packaging division, compared to a £311,000 profit a year ago.

But European profits increased 20 per cent to £11m, despite difficult markets. Margins improved from 9 per cent to 10.6 per cent and the UK plastics division turned from a loss to a small profit.

Profits before interest *increased 5.6 per cent to* £13.1m. Interest charges rose *slightly to £1.24m (£1.1m),* partly caused by the acquisition in May of a Dutch floor-covering company.

Earnings increased 6.7 per cent to 9.39p and the interim dividend is a same-again 2.7p.

The shares gained 4p *to* 281p.

● COMMENT

After falling out of favour for 18 months, Low & Bonar is finding its way back onto brokers' buy lists. The company's *investment programme* is starting to show fruits in terms of improved productivity. As the programme winds down, Low & Bonar's capital expenditure to depreciation ratio is set to fall from 2 times in 1990 to about 1.5 this year. The market also likes the look of the new management. The one question mark hangs over US packaging, which will remain a loss-maker this year and will only really turn round when customers in the industrial and construction sectors see an improvement. The shares, like the rest of the sector, have already anticipated recovery, but forecast profits for the full year of £26m put Low & Bonar on a multiple of 13.7, which is *not demanding*.

Thames wins £29m ITV deal

By Raymond Snoddy

THAMES Television yesterday announced it had won a larger than expected £29m programme deal with ITV for the first eight months of next year.

The deal includes a third-weekly half hour edition of The Bill, its police drama series. *These account for more than* half the value of the programme package which will launch Thames as an independent producer.

The group lost its licence to Carlton Television in last year's competitive tenders and ceases to be a broadcaster at the end of this year.

It said yesterday that the deal had been blocked for a time by Carlton which did not want past episodes of The Bill to be available for UK Gold, the new Thames-BBC satellite channel.

The channel, to be launched in the autumn, will concentrate on library programmes. Thames had to threaten that The Bill would not be available to ITV next year before a deal was agreed.

The £29m deal over 8 months compares with the £70m-£80m worth of programmes Thames now sells to the network in a full year. It has lost its current *affairs programmes such as* This Week, daytime programmes and most of its comedy programmes.

Apart from The Bill the package covers a new series of Minder, This Is Your Life, *Wish You Were Here?*, The Best of Tommy Cooper, Mr Bean and Count Duckula.

Once the planned new central networking system is in place Thames will begin negotiations for the supply of programmes to ITV beyond August 1993.

Eurotherm shows 47% advance to £6.7m

By Richard Gourlay

EUROTHERM, the control equipment group, yesterday reported a 47 per cent rise in interim profits after a substantial pruning of its workforce and overheads.

The pre-tax line at end-April rose from £4.6m to £6.7m, on sales only 0.8 per cent higher at £78.1m.

Mr Jack Leonard, chairman, said the company had encoun*tered the worst global reces*sion in its 27 year history, and there was no sign of any improvement at the moment.

The company had misjudged the extent of the economic downturn and had entered the recession with too many overheads, he said.

During the first half, however, overheads had been cut by £2m and in the last 18 months 400, mainly white collar, employees had been shed reducing the workforce to about 2,300 worldwide.

"We spent the last nine months getting the house in order," Mr Leonard said. "Now we have to increase sales."

While many of the group's markets were in trouble, the water and electricity companies were flush with cash and a potential market, and the food sector was maintaining demand in the packaging industry.

Gearing fell from 30 per cent to 25 per cent and the company said cash flow would remain positive until the end of the *year*.

Earnings per share rose from 6.7p to 9.97p and the interim dividend rises 20 per cent to 3p.

Eurotherm was founded in 1965 by Mr Leonard and three partners with £70,000, and its growth has been mainly organic.

Mr Leonard said this pattern would continue, although there might be a time in the US where Honeywell is a dominant competitor, when the group would have to acquire in *order to build its control* business more rapidly.

British Bio in deal with Glaxo

By Paul Abrahams

BRITISH Bio-technology, the recently floated group, has signed a collaborative agreement with Glaxo to develop a new asthma compound.

Glaxo is paying about £1m for pre-clinical development and will conduct and pay for clinical trials scheduled to begin during the third quarter of this year.

Although final terms have *not been agreed, Glaxo is* expected to manufacture and market the drug worldwide if it is licensed.

The medicine, known as BB-882, will be given in oral doses.

British Bio-technology is also planning to develop an injectible version of BB-882 to treat acute shock. The Oxford-based company will conduct the early trials, and if successful, may conclude a further agreement with Glaxo.

Mr James Noble, finance director, said: "This is a perfect deal for us. It off-loads the whole burden of costs for the clinical trials. Glaxo is the best possible partner to conduct the trials and then market the drug."

The agreement with Glaxo follows a similar deal with SmithKline Beecham, the Anglo-American pharmaceuticals and consumer products group, to co-develop and market arthritis and cancer treatments.

Lloyds Chemists to buy further 87 outlets

By Angus Foster

Lloyds Chemists, the acquisitive retailer which in March took control of rival Macarthy, is buying up to 87 sites from the receivers of Cavendish and Castle, the greetings card retailing chain.

Financial details of the purchase have not been released but the price is understood to be less than £4m. The sites, presently tobacco and greetings card outlets, are located throughout the UK and are mainly held on short term leases. They will be converted into outlets for Lloyds' Holland & Barratt healthfood chain and Supersave Drugstores.

Hays expands with £4.6m acquisition

Hays, the business services *group, has acquired Citidata* Storage for £4.6m cash.

London-based Citidata operates a secure storage and retrieval service for computer data held on magnetic media. It returned pre-tax profits of *£520,000 from turnover of £2.1m* in the year to April 30. Total assets amount to £400,000 and the company is free of debt.

Hays is also purchasing the assets of Citipac, a crate hire business, for an undisclosed sum.

CMW £471,000 in the red

THE RECESSION finally caught up with CMW Group, the USM-quoted architect, in the second quarter of the present year resulting in an interim pre-tax loss.

The company, however, is attracting new commissions *and hopes to be in profit in the* second half.

Turnover for the six months to May 31 fell 19 per cent to £2.17m for a loss of £471,000, compared with a profit of £252,000.

The loss was after exceptional redundancy charges of £111,000 and interest costs of *£183,000 (£181,000).*

The interim dividend is passed – 0.9p was paid previously.

Mr Peter Denner, chairman, said the company had managed to avoid the worst effects *of recession over the past two* years. He added, however, that it had taken its toll in the second quarter.

Losses were 5.91p (earnings 5.35p). Lower extraordinary costs of £32,000 (£508,000) left retained losses of £370,000 (£358,000).

Trust of Property net assets decline

Net asset value per share of *Trust of Property Shares stood* at 69.02p at June 30. That compared with 77.31p a year earlier and 78.43p at the December 1991 year-end.

Available revenue for the half year to end-June was £30,602 (£31,880), equal to earnings of 0.464p (0.483p).

Etonbrook Properties in dispute over restructuring

By Peggy Hollinger

ETONBROOK Properties, the former Business Expansion Scheme company which came to the market last year, yesterday launched a sharp attack on one of its shareholders as it prepared for an acrimonious extraordinary meeting next month.

Mr Jonathan Harris, chairman, accused Multitrust of attempting to take over Etonbrook through the back door, by opposing the company's plans for a capital restructuring. "If someone wishes to buy Etonbrook, make a bid," he said, and added that the group's plans for a capital restructuring were part of a controlled liquidation to return value to shareholders.

Etonbrook, which recently sold one of its three remaining properties for £1m, plans to pay shareholders 25p per share and a 2.7p dividend as a result of the sale. However, it cannot pay the ordinary dividend until it meets its convertible redeemable preference share obligations, which fell due on April 1.

Since the group has no distributable reserves, Mr Harris wants to restructure the share capital to provide the money to pay preference and ordinary dividends. Etonbrook has already set aside the £1.2m necessary to redeem the shares. The restructuring will be put to the vote at the EGM on August 7.

Multitrust has has been campaigning against the board's strategy, but Mr Andrew Perloff, chairman, was unavailable for comment yesterday.

Kalon has acceptances for 6.3% of Manders

By Peter Pearse

KALON, the Yorkshire-based paints maker, had received valid acceptances by Monday's first closing date in respect of 2.32m ordinary shares *in its £92m hostile 8-for-3 bid for Manders (Hold*ings). This represents about 6.3 per cent of Manders issued ordinary share capital.

The bidder has also received acceptances in respect of 21,555 Manders preference shares (2.7 per cent).

Mr Roy Amos, chairman of the target paint, inks and property group, said he was pleased "the vast majority of Manders shareholders have taken our advice to ignore the Kalon offer", adding that it showed the "fragility of Kalon's business and share price".

The value of the offer had continued to fall, he said, to a "mere 6 per cent premium" to Man*ders' share price of 237p immediately before the* offer announcement.

Mr Mike Hennessy, Kalon group managing director, said that the level of acceptances was "extremely encouraging", adding that Manders shareholders were already demonstrating their disenchantment with Manders' record of failure.

Kalon's shares closed down *1p at 93½p; Man*ders' slipped 2p to 243p.

NEWS DIGEST

Aitken declines to £2.33m

AITKEN HUME International, the banking and financial services group, turned in a reduced pre-tax profit of £2.33m for the year to March 31.

This was cut from £3.01m last time, when the accounts were qualified as a result of a dispute over payments due in connection with the acquisition of the Bachmann Group, a Guernsey-based financial services company.

The 1992 pre-tax figure was struck after an exceptional provision of £1.09m to reward management of Aitken's US fund management arm for its improved performance. This charge was mitigated by a refund of surplus funds amounting to £510,000 from its UK pension scheme.

The US arm made pre-tax profits of £2.32m (£1.3m), whereas the UK and Channel Islands banking activities, hit by bad debts, incurred a pre-tax loss of £635,000 against profits of £634,000 last time.

The accounts included the results of the Bachmann group – a pre-tax profit of £2.02m (£1.74m) – up to its disposal in March this year.

Disposal costs of Bachmann were taken as an extraordinary debit of £12.9m, leaving the group with an attributable loss of £11.4m (£1.9m profit).

Losses per share were 19.84p against earnings of 3.01p. There is no final dividend (0.5p), giving a reduced total of 0.5p (1p).

Nobo mounts second half improvement

Nobo Group improved substantially in the second half but the final dividend is cut to 2.5p, reducing the total from 6.6p to 3.5p for the year to April 30.

This office equipment group saw the year's pre-tax profit slide from £2.05m to £1.11m, after exceptional costs of £227,000 (£102,000). In the first half, when the exceptional arose, profit was only £62,000.

Mr Reg Barr, chairman, said borrowings were reduced significantly in the second half and, coupled with lower interest rates, led to a decrease in interest costs from £1.02m to £663,000.

Turnover came to £21.2m (£24.4m). Earnings per share worked through at 6.34p (12.35p).

Results of the Dutch operation were below expectations and that again affected the tax charge, which rose to 39 per *cent (36 per cent). In the open*ing two months of the current year that operation produced operating profits.

Multitone calls in with 36% advance

Multitone Electronics, the paging systems and equipment maker, achieved a 36 per cent advance in pre-tax profits and is raising its dividend by 50 per cent.

In the 53 weeks ended May 2 turnover increased by 9.5 per cent to £21.2m after the group obtained a larger share of the market in generally aggressive competitive conditions.

Profit moved up from £1.42m to £1.93m after development costs of £1.95m, broadly unchanged in real terms, and interest costs cut from £310,000 to £144,000.

The tax rate was reduced to 35.1 (39.3) per cent as profits earned in the UK had risen faster than those overseas. That boosted earnings per share to 8.33p (5.75p) and the dividend is stepped up to 3p (2p) through a final of 1.75p.

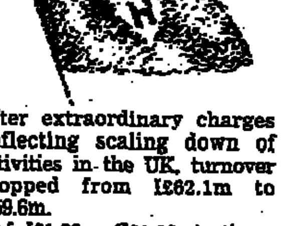
At the year-end there was a net cash balance of £319,000 compared with net bank borrowings of £8,000.

Heiton suffers 16% decline to I£1.48m

Heiton Holdings, the Dublin-based steel stockholder, build*ers' merchant and retailing* group, reported a 16 per cent decline in profits for the year to April 30.

The dividend is again 2p, the final being 1.35p. Earnings per share slipped to 3.24p (3.57p).

Pre-tax profit fell from I£1.77m to I£1.48m (£1.39m).



After extraordinary charges Reflecting scaling down of activities in the UK, turnover dropped from I£62.1m to I£59.6m.

of I£1.39m (I£1.06m), there was a net loss of I£458,000 (I£31,000). This year's charges included I£1.05m in respect of Jubilata, the related company investment, by reference to its underlying net tangible assets.

Castletown boosted by acquisitions

Profits before tax of Castletown Group, a manufacturer and printer of stationery, rose from I£259,757 to I£399,154 (£373,495) for the year to April 30.

Boosted by acquisitions, turnover rose 94 per cent to I£5.92m. Directors said further substantial increases in turnover would follow as purchases made so far would be in place for the full current year.

For the full year the benefits of acquisitions lifted earnings by 27 per cent to 9.36p (7.37p).

The Celbridge companies – Castletown Press Ireland, Castletown Press Manufacturing and Coulter Data Forms – are to be sold to Mr Michael Keating, a former group director. The companies represent less than 5 per cent of pre-tax profits.

Enlarged Pelican improves to £0.45m

The Pelican Group, a USM-quoted restaurant operator, reported pre-tax profits of £453,000 for the year to March 31, against £446,000 which included £168,000 of property profits.

Turnover improved from £4.72m to £6.32m. During the period the expansion programme continued and the group now has 17 restaurants and has recently acquired two further sites.

Earnings per share fell from 7.5p to 3p reflecting last year's rights issue and shares issued for an acquisition in January 1991. The company *is* proposing to maintain its single dividend at 1p.

An extraordinary charge of £204,000 (£92,000), mainly relating to the costs of the rights issue, left retained profits for the year down at £56,000 (£258,000).

John D Wood losses rise to £497,000

By the end of the year to April 30, pre-tax losses at John D Wood, the estate agent, had risen to £497,000, including £100,000 of non-recurring expenditure.

At the halfway mark the loss came to £194,000. For the 1990-91 year the profit was £15,000.

Losses per share were 4.8p (0.3p) and there is no dividend, compared with an interim of 1.5p for the previous year.

Turnover fell 8 per cent to £4.71m. The London residential department traded profitably; the Wimbledon sales office was successful and expenditure had been cut, directors reported.

However, the country business was again badly hit by market conditions with values falling by 40 per cent from their 1988 peak.

Prism returns record £975,000

Prism Leisure Corporation, the music and computer games group traded on the USM, returned record profits of £975,000 pre-tax for the 52 weeks ended March 29.

The 28 per cent improvement over the previous year's £761,000 was achieved on the back of an 8 per cent rise in turnover to £13.5m.

Earnings rose by 5p to 16.8p and an increased final dividend of 3.95p makes a 5.45p (4.95p) total. Year-end cash balances totalled £800,000.

14% increase for Morris Ashby

Morris Ashby, the USM-traded specialist aluminium die-casting and machining group, lifted pre-tax profits 14 per cent in the year ended March 31, following a strong second half.

Mr Norman Gardner, chairman, was confident that the current year would see record profits.

Turnover rose 23 per cent, from £12.4m to £15.3m, with the profit at £1.2m (£1.05m). Earnings per share were 10.7p (8.7p) and the final dividend is 3p for a total of 4.7p (4.1p).

Mr Gardner said in the second half benefit was taken from new orders coming on stream. The largest increase was in passenger car component manufacture but significant rises were also experienced in heavy vehicle, electrical, and the hydraulic/pneumatic markets.

COMPANY NEWS: UK

Contract failure knocks Birse to loss of £13.2m

By Andrew Taylor, Construction Correspondent

BIRSE GROUP, the building and civil engineering company in which Bilfinger & Berger, the German contractor, has a 15 per cent stake, incurred a loss of £13.2m during the year to end-April.

The deficit compared with a pre-tax profit of £10m the previous year, and was struck on turnover up from £317m to £356m.

Losses per share were 16.6p compared with earnings of 7.6p last time.

Following a same-again interim of 1.65p, the group is proposing not to pay a final dividend.

The result had been widely expected and the company's share price yesterday remained unchanged at 23p. This compares with a price of 120p when Birse was floated and Bilfinger acquired its strategic holding in the autumn of 1989.

Losses included exceptional charges of £13.1m. Of these, £8.5m arose from the failure earlier this year of Quietwaters, a private developer which owed substantial sums to Birse for the construction of a golf course, hotel and leisure complex in Essex.

Mr Peter Birse, chairman, said another £3.5m of losses arising from the collapse of Quietwaters had been deducted from operating profits, which fell from £13.6m to £4.3m.

The remaining £4.3m of provisions, he said, came from write-downs of the group's residential and commercial property interests.

Mr Birse said the group's order book now showed a good mix of business. More than 80 per cent of contracts were either with public sector customers or secure large privatised water companies.

Construction profits excluding provisions fell from £12m to £3.4m. Housing incurred a £600,000 operating loss (£700,000 loss), and remained a difficult market. Commercial property made an operating profit of £600,000 (£100,000) before write downs of £3.7m.

● COMMENT

Questions have been raised in recent weeks about Birse's ability to survive the sharp downturn in the UK construction market, illustrated so savagely by the collapse of the Quietwaters contract. The group, which has been very aggressive in bidding for work in recent years, took pains yesterday to underline the security of its order book, particularly in northern England where it says average margins remain between 1 per cent and 2 per cent. In southern England contracts are lucky if they do more than cover overheads, according to Mr Birse. Gearing of 92 per cent on net debt of £24.9m may be uncomfortable but is not life threatening and is an improvement on the previous year. Judging by comments from analysts, the group convinced the market yesterday that speculation about its future had been misplaced. Nonetheless it should do little better than break-even in the current period and the share price, given the problems in the sector, will struggle to improve much. Bilfinger – which has still to win a contract in joint venture with Birse – must be feeling a little sick.

Recession leaves Bucknall £2m in red

By Andrew Taylor

BUCKNALL GROUP, the only quoted firm of quantity surveyors, was hit hard by the effects of the recession in the construction industry and ran up a loss of £1.92m pre-tax for the year to end-April.

That compared with profits of £1.23m in the previous 12 months.

The dividend for the year is omitted – shareholders received a 4.8p total previously. Losses per share of 13p compared with earnings of 10p in 1990-91.

Mr David Bucknall, chairman and chief executive, said the directors had taken an average pay cut of 22 per cent while salaries of subsidiary company directors and senior managers had been reduced by 10 per cent.

This had helped generate savings of more than £1.7m a year.

Group turnover fell by 17 per cent to £17.3m. Mr Bucknall said that UK turnover, down by 30 per cent, had fallen faster than the group could cut costs and this had led to losses.

Overseas turnover, on the other hand, had risen by 98 per cent to £4.5m.

The group had also been successful recently in winning other types of work away from the private office market which had borne the brunt of the recession in the UK.

Pre-tax losses for 1991-92 were struck after taking account of exceptional provisions of £383,000, (£447,000) mostly due to redundancy costs. The group's UK staff during the latest 12 months had been reduced from 418 to 367.

Year-end gearing of 75 per cent compared with 123 per cent 12 months earlier.

Future of Amps questioned as BET redeems

Credit rating is key to success of hybrid issues, reports Maggie Urry

BET's decision to redeem its $500m (£262m) auction market preferred stock again raises the question of the role of these US-traded instruments in companies' financing structures.

The removal will take away about a quarter of the value of issues from UK borrowers, although the total market is still worth more than $20bn.

While BET and others, such as English China Clays, Rank Organisation, the leisure group, and Tarmac, the building materials producer, have decided to redeem part or all of their Amps, other companies remain enthusiastic about them. Elf UK, part of Elf Aquitaine, the oil group, which has $250m of Amps outstanding is currently issuing another $250m of stock which is being privately placed in the US.

BET's concern that it was paying significantly above commercial paper rates on its Amps, 121 per cent of the levels in recent months, is not a problem shared by more highly rated credits, although Tarmac admits to paying 150 per cent of commercial paper rates on its remaining Amps. Elf UK, for example, has a AA rating and achieves far lower interest rates than BET.

Cadbury Schweppes, the confectionery and soft drinks group, is more than happy with its Amps, which can be sold in Canada as well as the US, adding to the range of potential buyers. Its last two auctions achieved interest rates of less than 3 per cent, a little more than 80 per cent of commercial paper rates.

Redland, the building materials group, also pays rates below commercial paper rates. Mr Gerald Corbett, finance director, points out that Redland's latest auction produced an interest rate of 3.2 per cent.

Redland's Amps make up 8 per cent of shareholders' funds while BET's Amps account for 72 per cent.

The interest rate on Amps is reset regularly, typically every 28 days, through auctions of the stock. BET's stock is divided into four series with one reseting each week.

Bidders set the rate of interest. If not enough buyers are found the previous holders continue to own the stock but are paid a fall-back rate of interest, relating to the company's credit standing. The Amps market is driven by credit ratings. When a company's rating falls, the interest rate, as a percentage of commercial paper rates, rises sharply.

In January this year Ratners, the jewellery retailer, saw its credit rating cut from BBB to B and the next auction of a tranche of its Amps failed. When Ratners then stopped paying interest on its Amps, and on other preference shares, the rate was locked at 250 per cent of commercial paper rates and has been accruing at that level since.

Contrasts: Gerald Corbett (left) of Redland which pays 3.2%. Gerald Ratner of Ratners whose auction failed

The Ratners experience has proved, though, that Amps behave like equity rather than debt when a company is in difficulties, a point which was debated among issuers, their shareholders and auditors for some time. Eventually the accounting standards board came down in favour of Amps being treated as a "non-equity" portion of shareholders funds.

BET also cited declining investor demand as a reason for redeeming. However, Mr Corbett said Redland had "not seen any signs of a lessening of investor interest".

Market observers note, however, that the sharp fall in US short-term interest rates has left the dollar yield curve steeply positive. Investors are therefore looking to longer term investments to pick up a higher interest rate rather than the 28-day paper.

One investment banker said: "The size of your audience is crucial to the health of your transaction." Those investors still interested in Amps are wary of all but the best credit risks.

A new market is opening for companies to tap, though. Fixed rate perpetual preference shares have been used by banks but in December last year they were opened to industrial companies by General Motors, the vehicle group, which found such good demand for an issue it was increased from $300m to $1bn.

More recently, Enterprise Oil was the first non-US industrial company to tap the market with a $150m issue which paid interest at 10.5 per cent. Elf UK is planning to make a portion of its $250m issue, perhaps $100m, a fixed rate preference share.

When UK companies own assets in the US they need to match them with dollar capital, debt or equity. When one market closes they will look for another. It may be that dollar-denominated perpetual fixed rate preference shares will plug that gap.

GIM launches smaller companies investment trust

By John Authers

GLASGOW INVESTMENT Managers is launching a new investment trust which will invest in smaller companies and aim for a high yield.

Despite the problems which have hit the new issues market, including three investment trusts, in the last month, GIM said it had picked its time well.

Mr David Williams, managing director, said: "I don't think our timing could be better. We are confident we're at the bottom of the cycle and the current weakness of the market offers very real opportunities for growth over the longer term."

The trust, to be called Shires High-Yielding Smaller Companies, will buy shares in companies with a market capitalisation between £25m and £250m with a minimum dividend yield of 120 per cent of the FT-A All Share index. The projected initial gross yield will be 7 per cent, and the managers expect dividends to grow faster than inflation.

GIM argues that smaller companies outperform UK equities during periods of economic expansion.

The launch of the trust will be aided by Shires, GIM's flagship investment trust, which will transfer smaller companies shares to the value of £5m from its own portfolio in return for a £5m shareholding in the new trust.

Williams de Broe, sponsor to the issue, has obtained underwriting for £12.5m, and is aiming for a maximum of £30m. The trust, primarily aimed at the retail market, will try to attract private investors via personal equity plans.

Warrants will be attached to the ordinary shares on a 1-for-5 basis, but the company has avoided the more complicated capital structures popular with new investment trust issues earlier this year, saying that these could create conflicts of interest between different classes of shareholder.

The formal launch will be on Friday and the trust will remain open to subscriptions until August 20.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aitken Hume Intl ......fin	nil	-	0.5	0.5	1.0
Birse ......fin	nil	-	3.85	1.65	5.5
Bucknall ......fin	nil	-	3.5	nil	4.8
CMW § ......int	nil	-	0.9	-	2.43
Eurotherm ......int	3	Oct. 14	2.5	-	7.2
Helton ......fin	1.35♣	-	1.35	2	2
Low & Bonar ......int	2.7	Oct 5	2.7	-	9.1
Morris Ashby § ......fin	3	Oct 1	2.4	4.7	4.1
Multitone Elect ......fin	1.75	Sept 7	1.25	3	2
Nobo ......fin	2.5	Oct 1	4.18	3.5	6.6
Pelican § ......fin	1†	Oct 9	1	1	1
Prism § ......fin	3.95	Sept 9	3.45	5.45	4.95
Sterling Pub ......fin	2	Nov 9	1	2.5	2.5
Triplex Lloyd ......fin	4.5	Sept 22	4.5	7†	7
Wood (John D) ......fin	nil	-	nil	nil	1.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish currency.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Castle Cairn Inv Trust, Denmans Electrical.
Finals- Bulmer (HP), Clarke Hooper, Tomorrows Leisure, Wyko.

FUTURE DATES

Interims-

Ayrshire Metal Products	Aug. 13
Capita	July 28
Green Property	July 23
Transfer Technology	July 20

Finals-

Abtrust Scotland Inv	July 21
Black Arrow	July 24
Dyson (J&J)	July 24
Great Universal Stores	July 16
Stonehill	July 20
Verson Intl	July 22

Anglovaal Group

Mining companies' reports – Quarter ended 30 June 1992

All companies mentioned are incorporated in the Republic of South Africa.

All financial figures for the quarter and progressive figures for the current year to date are unaudited

Rate of exchange on 30 June 1992: R1,00 = £0,19, £1,00 = R5,32.

Development results given are the actual sampling results. No allowances have been made for adjustments necessary in the valuation of the corresponding ore reserves

Shareholders requiring copies of these reports regularly each quarter should write to the Secretaries, Anglovaal Trustees Limited, 5th Floor, 33 Davies Street, London, W1Y 1FN.

Hartebeestfontein Gold Mining Co Ltd

Reg. No. 05/33926/06

Issued capital: 112 000 000 shares of 10 cents each

	Quarter ended 30 June 1992	Quarter ended 31 March 1992	Financial year ended 30 June 1992
Operating results			
Gold			
Ore milled ......t	770 000	767 000	3 023 000
Gold recovered ......kg	6 864	6 727	26 859
Yield ......g/t	8,9	8,8	8,9
Revenue ......R/t milled	275,09	281,75	285,95
Costs ......R/t milled	226,39	225,25	226,96
Profit ......R/t milled	48,70	56,50	58,99
Revenue ......R/kg	30 860	32 124	32 184
Costs ......R/kg	25 397	25 682	25 544
Profit ......R/kg	5 463	6 442	6 640
Revenue R000	211 821	216 100	864 426
Costs R000	174 322	172 765	686 094
Profit R000	37 499	43 335	178 332
Low-grade gold plant			
Ore milled ......t	464 000	442 000	1 761 000
Gold recovered ......kg	631	598	2 425
Yield ......g/t	1,36	1,35	1,38
Revenue ......R/t milled	42,15	42,82	44,00
Costs ......R/t milled	22,49	23,84	23,25
Profit ......R/t milled	19,66	18,98	20,75
Revenue ......R/kg	30 994	31 649	31 955
Costs ......R/kg	16 536	17 622	16 880
Profit ......R/kg	14 458	14 027	15 075
Revenue R000	19 557	18 926	77 490
Costs R000	10 434	10 538	40 935
Profit R000	9 123	8 388	36 555
Uranium oxide			
Pulp treated ......t	749 841	741 023	2 748 423
Oxide produced ......kg	76 396	78 278	287 711
Yield ......kg/t	0,10	0,10	0,11
Financial results	R000	R000	R000
Working profit – gold mining	46 622	51 723	214 887
Profit/(loss) from sales of uranium oxide and sulphuric acid	4 289	(1 327)	(2 198)
Non-mining income	5 377	5 340	25 132
Net tribute received	—	(43)	7
	56 288	55 693	237 828
Interest paid, stores adjustment and employee service benefits	31	189	770
Profit before taxation and State's share of profit	56 257	55 504	237 058
Taxation and State's share of profit	11 215	20 830	88 038
Profit after taxation and State's share of profit	45 042	34 674	149 020
Capital expenditure	21 343	7 171	40 790
Appropriation for loan repayments	322	479	1 929
Dividends	50 400	—	106 400
	72 065	7 650	149 119
Development			
Advanced ......m	6 991	7 023	29 806
Sampling results on Vaal Reef			
Sampled ......m	1 116	1 206	4 514
Channel width ......cm	63	59	62
Channel value – gold ......g/t	23,6	23,6	23,3
......cm.g/t	1 495	1 392	1 438
– uranium oxide ......kg/t	0,47	0,52	0,45
......cm.kg/t	29,76	30,47	27,87

Ore reserves

The total ore reserve at 30 June 1992, based on a gold price of R33 000 per kilogram, is estimated as follows:

Tonnage ......t	10 566 000
Stoping width ......cm	124
Value – gold ......g/t	12,8
......cm.g/t	1 579
– uranium oxide ......kg/t	0,24
......cm.kg/t	29,76

Hartebeestfontein Gold Mining Co Ltd *(continued)*

Financial

The profit before taxation for the year includes results of hedging transactions.

In terms of the Company's articles of association, the directors' borrowing powers are limited to R50 000 000. At 30 June 1992, borrowings totalled R3 009 000 (1991: R4 741 000), of which long-term borrowings amounted to R1 820 000 (1991: R2 840 000) and short-term to R1 189 000 (1991: R1 901 000).

Dividend

Final dividend No. 73 of 45 cents per share was declared in May 1992, giving a total of 95 cents per share for the financial year.

Capital expenditure

Outstanding commitments at 30 June 1992 are estimated at R1 981 000 (31 March 1992: R3 816 000).

For and on behalf of the board

B.E. Hersov
R.A.D. Wilson *Directors*

Directors: B.E. Hersov D.M.S., Hon. LL.D. (Chairman), B.L. Bernstein Hon. LL.D., J.J. Geldenhuys, L. Hewitt, Clive S. Menell, C.L. Sunter, R.A.D. Wilson

Alternate directors: P.J. Eustace, B.J. Funston, K.M. Hosking, G.J. Robbertze, J.E. van Niekerk

15 July 1992

Eastern Transvaal Consolidated Mines, Ltd

Reg. No. 01/05442/06

Issued capital: 86 333 560 shares of 2,5 cents each

	Quarter ended 30 June 1992	Quarter ended 31 March 1992	Financial year ended 30 June 1992
Operating results			
Ore milled ......t	93 800	91 800	364 500
Gold recovered ......kg	959	920	3 636
Yield ......g/t	10,2	10,0	10,0
Revenue ......R/t milled	316,62	313,15	319,59
Costs ......R/t milled	234,29	235,21	232,31
Profit ......R/t milled	82,33	77,94	87,28
Revenue ......R/kg	30 969	31 247	32 038
Costs ......R/kg	22 916	23 470	23 289
Profit ......R/kg	8 053	7 777	8 749
Revenue R000	29 699	28 747	116 492
Costs R000	21 976	21 592	84 677
Profit R000	7 723	7 155	31 815
Financial results	R000	R000	R000
Working profit – gold mining	7 723	7 155	31 815
Non-mining income	712	760	2 740
	8 435	7 915	34 555
Prospecting expenditure	2 228	1 510	7 678
Stores realisation adjustment	(74)	—	(74)
Profit before taxation	6 281	6 405	26 951
Taxation	(282)	1 824	8 022
Profit after taxation	6 563	4 581	18 929
Capital expenditure	4 337	1 549	6 744
Dividends	6 044	—	12 087
	10 381	1 549	18 831
Development			
Advanced ......m	1 982	2 032	7 088
Sampling results:			
Sampled ......m	1 009	1 031	3 426
Channel width ......cm	254	245	246
Channel value ......g/t	5,1	9,6	6,4
......cm.g/t	1 287	2 336	1 586

Ore reserves

The total ore reserves at all mines at 30 June 1992, based on a gold price of R33 000 per kilogram, are estimated as follows:

Tonnage ......t	576 200
Stopping width ......cm	214
Value ......g/t	24,3
......cm.g/t	5 187

Financial

The profit before taxation for the year includes results of hedging transactions.

Dividend

Final dividend No. 84 of 7 cents per share was declared in May 1992, giving a total of 14 cents per share for the financial year.

Capital expenditure

Outstanding commitments at 30 June 1992 are estimated at R2 294 000 (31 March 1992: R1 276 000).

For and on behalf of the board

R.A.D. Wilson
J.J. Geldenhuys *Directors*

Directors: R.A.D. Wilson (Chairman), J.J. Geldenhuys, B.E. Hersov D.M.S., Hon. LL.D., Clive S. Menell, G.J. Robbertze, T.V. Boendler, J.E. van Niekerk

Alternate director: B.J. Funston

15 July 1992

Loraine Gold Mines, Ltd

Reg. No. 05/39138/06

Issued capital: 16 366 986 shares of R1,00 each

	Quarter ended 30 June 1992	Quarter ended 31 March 1992	Nine months ended 30 June 1992
Operating results			
Ore milled ......t	403 000	337 000	1 044 000
Gold recovered ......kg	1 765	1 766	5 218
Yield ......g/t	4,4	5,2	5,0
Revenue ......R/t milled	150,20	178,88	171,05
Costs ......R/t milled	165,33	176,04	175,19
(Loss)/profit ......R/t milled	(15,13)	2,84	(4,14)
Revenue ......R/kg	34 296	34 134	34 222
Costs ......R/kg	37 750	33 594	35 051
(Loss)/profit ......R/kg	(3 454)	540	(829)
Revenue R000	60 532	60 281	178 573
Costs R000	66 628	59 327	182 898
(Loss)/profit R000	(6 096)	954	(4 325)
Financial results	R000	R000	R000
Working (loss)/profit – gold mining	(6 096)	954	(4 325)
Profit from sales of pyrite	—	89	114
Non-mining income	2 861	2 181	7 168
	(3 235)	3 224	2 957
Interest paid	206	217	606
(Loss)/profit before taxation	(3 441)	3 007	2 351
Taxation	—	—	—
(Loss)/profit after taxation	(3 441)	3 007	2 351
Capital (recoupments)	(383)	(37)	(277)
Appropriation for loan repayments	134	119	364
	(249)	82	87
Development			
Advanced ......m	4 402	3 956	11 304
Sampling results:			
Kimberley reefs			
Sampled ......m	401	210	798
Channel width ......cm	101	84	95
Channel value ......g/t	9,3	7,4	9,8
......cm.g/t	939	626	928
Basal reef			
Sampled ......m	326	290	773
Channel width ......cm	10	9	10
Channel value ......g/t	134,1	116,8	120,2
......cm.g/t	1 356	1 097	1 170
Eldorado reefs			
Sampled ......m	854	946	2 535
Channel width ......cm	62	69	88
Channel value ......g/t	9,3	14,0	11,2
......cm.g/t	575	969	982
Total – all reefs			
Sampled ......m	1 581	1 446	4 106
Channel width ......cm	61	59	75
Channel value ......g/t	13,6	15,9	13,5
......cm.g/t	826	945	1 007

Operations

The treatment of surface dump material continued during the quarter. The reported 403 000 tons of ore milled includes 72 000 tons of surface dump material at a recovered grade of 0,85 g/t.

In order to minimise future operating losses, underground mining of higher grade ore from selected reserves has now commenced which will result in a decrease in ore milled from underground to approximately 75 000 tons per month. Total tonnage milled will be maintained at current levels by treating additional surface dump material. Regrettably this rationalisation of underground mining operations has entailed the further retrenchment of approximately 2 900 employees, the costs of which amounted to R5,8 million. Due to the timing of payments, R4,8 million of these costs are included in the results reported above, while the remaining R1 million will be charged in the next quarter.

Financial

Gold revenue includes profits arising from hedging transactions which totalled R5 938 000 for the quarter and R12 062 000 for the year to date. Details of forward sales of future gold production are as follows:

Month ending	Kg of gold sold	Forward price per kg sold
31 July 1992	239	R39 046

The Company has been unable to secure adequate forward prices beyond July 1992.

In terms of the Company's articles of association, the directors' borrowing powers are limited to R35 000 000. At 30 June 1992, borrowings totalled R4 150 000 (1991: R4 525 000), of which long-term borrowings amounted to R3 709 000 (1991: R4 204 000) and short-term to R441 000 (1991: R321 000).

Capital expenditure

Outstanding commitments at 30 June 1992 are estimated at R753 000 (31 March 1992: R753 000).

For and on behalf of the board

R.A.D. Wilson
J.J. Geldenhuys *Directors*

Directors: R.A.D. Wilson (Chairman), P.J. Eustace, J.J. Geldenhuys, B.E. Hersov D.M.S. Hon. LL.D., B.J. Lawrenson, G. Maude, Clive S. Menell, J.E. Olivier, S.W. van der Cok

Alternate directors: C.T.B. Dempsey, B.J. Funston, T.C. Rees, G.J. Robbertze, K.A. West

15 July 1992

COMMODITIES AND AGRICULTURE

Siberian copper deposit to be opened to West

By John Lloyd in Moscow

ONE OF the largest copper deposits in the world – in Siberia – is to be opened up to international tender by the Russian government in the next few weeks.

The project is expected to show a different approach by the Russian government to large international tenders. The government will favour those foreign companies which will join in a consortium with Russian corporations and financial groups and will insist that both equipment and labour is sourced in Russia.

The deposit, at Udocan in the Chita region of Siberia, has been estimated to be capable of producing 500,000 tonnes of copper concentrate a year when fully exploited. It contains around 1.3bn tonnes of concentrate containing 1.5 per cent of copper.

The site was known to the former, Soviet, government for the past 25 years, but was considered impractical to exploit until the BAM railway, which passes within 90 km (56 miles) of the site, was completed. However, once BAM was finished in the second part of the 1980s, the Soviet government lacked the vast technical and financial resources needed to develop the project.

It is now seen by the Russian government as a future flagship project, which will both prove its ability to tender on a grand scale and give Russian companies and managers experience of a world class project.

Mr Alexander Rubtsov, managing director of Ernst and Young Vneshconsuklt group, which has been retained by the Chita regional authority to advise on the project, said yesterday that the investment required would be between $1bn and $2bn. Initial calculations show that some 2,000 workers would be directly employed at the site, with a further 20,000 in various service functions.

Various methods of exploiting the reserves are expected to be proposed, ranging from simple mining and exporting of the ore, through the construction of smelters on site, to the creation of a range of downstream industries to use the copper.

The international companies expected to bid for the project include the UK group RTZ, the US companies Fluor Daniel and Phelps Dodge and the Australian company Broken Hill Proprietary. Japanese companies like Mitsubishi, increasingly active in mineral resources, may also be part of future consortia.

Mr Robin Bhar, an independent mineral consultant, said yesterday that "this is one of the most promising projects in the world now. It should get some very much needed foreign investment and it would have a big impact on world production".

Mr Rubtsov, a member of the council of business advisers to Mr Boris Yeltsin, the Russian president, said that Mr Yeltsin and Mr Yegor Gaidar, the acting prime minister, had agreed that the tender should lay down that Russian labour and equipment must be used in order to provide experience and to give work to the hard pressed engineering sector.

Mr Rubtsov said that "if we don't begin to do this in international tenders, it will mean that foreign companies get everything and Russians only a fee. There are now companies in Russia which are ready and willing to act as partners in a consortium and have the resources or can get the resources to work on the international scale.

"There are a lot of businessmen in Russia now who are ready to move from trading, where they made a lot of money, into capital investment in Russia itself. They should now be included as members of international consortia – and Mr Yeltsin and Mr Gaidar agree with this approach".

● The head of Russia's gold industry has announced his resignation, warning of a sharp fall in output by 1993 and 1994, the Rossiiskaya Gazeta newspaper said, reports Reuter from Moscow.

It quoted Mr Valery Rudakov, head of the state monopoly for precious metals and diamonds Rosalmazzoloto, as telling a meeting of the industry's senior figures that he was resigning because the industry had become unmanageable.

He said shortcomings in the provision of resources would not send extraction plummeting this year as most inputs were provided more than a year in advance. But a sharp drop in production was inevitable by 1993 and 1994. He gave no figures.

While Russia's new government had given enterprises more freedom than under Soviet rule, Mr Rudakov said it had been a mistake to keep them under formal state ownership. No one in his industry knew whose orders to obey any more, he said.

"I am a splinter of the command administrative system and I cannot work when there is no accepted hierarchy," Mr Rudakov said.

Bulgaria is to close dozens of unprofitable copper, zinc and lead mines over the next few years, sharply reducing output of the metals, reports Reuter from Sofia.

"The zinc, lead and copper mines, or parts of them, will be closed by stages within three years," said Mr Politimi Paunova, a senior industry ministry official.

The industry ministry said that in recent years annual production of copper concentrate in Bulgaria had averaged 150,000 tonnes, lead concentrate 80,000 tonnes and zinc concentrate 70,000 tonnes. However figures were much lower last year.

The closures are likely to result in output of copper falling to 50,000 tonnes a year, lead to 30,000 tonnes and zinc to 25,000 tonnes, a mining industry official said.

Platinum highest for nearly 12 months

By Kenneth Gooding, Mining Correspondent

PLATINUM PRICES rose strongly again yesterday to their highest level for nearly a year. Gold followed platinum's lead and broke through the psychologically-important $350 a troy ounce barrier.

Some analysts suggest platinum's recent performance has been caused by nervousness about the upheavals in South Africa, the world's biggest producer, accounting for more than 65 per cent of supply.

Mr Michael Coulson, analyst at Durlacher and Co, the London stockbroker, pointed out, however, that "most platinum buyers have seen it all before. There has been no sign of panic buying – otherwise platinum, and gold, prices would be considerably higher." He suggested that other, non-South African factors were at work in the platinum market. "I get the impression the producers are happy about the medium-term outlook and that they feel the price was forced down too far."

Mr Andy Smith, analyst at the Union Bank of Switzerland, suggested that platinum's price might fall back as the deadline for a general strike in South Africa, for two or three days starting on August 3, passed.

But Mr Neil Carson, general manager of marketing at Johnson Matthey, the world's largest platinum marketing group, said prices should be able to hold on to present levels because supply and demand were in reasonable balance. A sudden rise in the three-month platinum leasing rates to about 5 per cent during the past few weeks indicated the tightness of physical supply, he added.

Platinum touched $392.50 an ounce at one stage in London yesterday before meeting some profit-taking. It closed at $391.75 an ounce, up $4.90 on the day. Gold closed in London up $1.85 an ounce at $350.55.

Gummer condemns 'illegal' trade threats

THE EUROPEAN Community will not be bullied into making concessions in world trade talks, Mr John Gummer, the British minister of agriculture and current president of the council of EC farm ministers, said yesterday, reports Reuter from Brussels.

"We are still threatened with illegal action," he said, referring to Washington's potential retaliation in a long-running dispute with the community over oilseeds.

Mr Gummer was speaking after EC agriculture ministers heard Mr Ray MacSharry, the European agriculture commissioner, report on what he saw as highly unsatisfactory negotiations on the Uruguay Round of world trade talks at the Group of Seven summit in Munich earlier this month.

Mr Gummer said the US had failed to respond to EC reform concessions relevant to the General Agreement on Tariffs and Trade negotiations. The ball was now in Washington's court, he added.

Gatt negotiations should have been completed in December 1990, but collapsed over the issue of trade-distorting subsidies, which still has to be resolved.

A decision on Italy's demand for a bigger milk quota, the issue that nearly scuppered negotiations on Common Agricultural Policy reforms in May, were deferred at yesterday's council session.

Italy says it severely underestimated the number of farmers who should have been counted in when quotas were originally set. It has been overproducing, and sees a boost in quotas as the solution.

But northern countries that have played by the rules have been aghast at what they see as Italy being rewarded for breaking them.

Yesterday's session also saw the beginning of discussions on developing systems for controlling payments to farmers under the reformed CAP.

The European Commission proposed that Ecu115m (£82m) should be provided over three years towards the cost of developing such control systems. Ministers had mixed views on this, ranging from suggestions that there should be no such funding at all, to calls for a big increase.

Several ministers had doubts as to whether the system could be implemented on schedule by January 1.

On the definition of land parcels for identification and control purposes, those tending to favour an EC-wide definition were pitted against those who supported the right of member states to devise their own systems.

There was widespread backing, however, for a single system of animal identification for both veterinary purposes and for payments.

Some ministers were opposed to having to make an annual declaration on production and animal numbers.

All these issues will be followed up at the farm ministers' September meeting.

A new European Parliament inquiry into European Community farm fraud is to be headed by Labour Euro MP John Tomlinson.

The probe is going ahead despite assurances from Mr John Gummer, the British president of the council of EC agriculture ministers, that the problem is under control.

Mr Tomlinson, MEP for Birmingham West, has been asked by the European Parliament's budgetary control committee to produce a detailed report on losses to EC taxpayers – estimated at £2.5bn a year - from the community's complex system of grants and subsidies.

Mr Tomlinson yesterday described the EC's farm policy as "the greatest incentive to crime in Europe today".

Earlier, Mr Gummer played down the extent of the problem, insisting that frauds highlighted by the EC's court of auditors had already been tackled.

Polish miners stage stoppages

By Christopher Bobinski in Warsaw

POLISH MINERS at five coal pits yesterday staged work stoppages amid a coal glut which is forcing management to introduce temporary lay offs and cut miners' incomes.

The stoppages at the Zabrze Bielszowice mine and four others in the Katowice area come in the wake of a continuing two-week-old sit-in by radical unionists from the Solidarity 80 movement at the State Coal Agency headquarters in the city. The protesters are demanding wage increases for miners, as well as cuts in taxes levied on pits and forgiveness of mounting mine debts.

Leaders of the other mining unions met yesterday to decide whether to call an industry-wide token stoppage, while Mr Waclaw Niewiarowski, the new industry minister is to see the unions today in Warsaw.

The government ended subsidies to coal mining at the end of March and the industry has gone into debt as coal prices have failed to rise in the face of low demand, following a mild winter and the continuing industrial recession.

Pit-head stocks have now reached some 6m tonnes – equivalent to two weeks output by the country's 71 pits. Poland produced 59.4m tonnes of coal in the first five months of the year, matching output in the same period last year. Sales outside Poland by Weglokoks, the state-owned coal trader which continues to dominate the export market, reached 6.6m tonnes in the first five months.

W Australian nickel project delayed

By Kenneth Gooding, Mining Correspondent

DOMINION MINING has delayed until early next year a decision about possible development of its Yakabindie nickel deposit in Western Australia, which could meet up to 3 per cent of annual western world demand for the metal.

However, Dominion said yesterday it already had two offers from potential joint venture partners to take a share in the A$470m (£180m) project.

Marketing plans and a feasibility study had taken longer than expected to prepare, so the forecast decision date of August this year was now unlikely to be achieved. "A decision on full commitment to the project is unlikely before early 1993," it said.

Yakabindie would, when fully on stream, produce about 21,000 tonnes of nickel a year from 6m tonnes of ore. Dominion said the project would be able to produce a unique sulphide concentrate containing more than 20 per cent nickel and with minimal impurities. This would eliminate the need for subsequent costly and complex nickel refining stages in the production of a saleable nickel feedstock.

Dominion said a nickel iron oxide calcine product from Yakabindie had been "widely exposed" to the stainless steel industry, where it "has met with widespread technical acceptance."

Most nickel is used in stainless steel production. Sales contracts were being negotiated with a number of stainless producers, but "progress has been slower than expected because of the weakness of the international nickel and stainless steel markets."

Dominion previously suggested that it would be willing to see its share in the project fall below 50 per cent. "Numerous expressions of interest have already been made by prospective financiers," it said yesterday.

Call for cocoa price of £1,400 a tonne

By Frances Williams in Geneva

THE NEW international cocoa agreement now under negotiation in Geneva should aim to defend a price level of about £1,400 a tonne, or more than double the current price, Mr Alain Gauze, the Ivory Coast's minister for commodities and head of its delegation to the talks, hinted yesterday. He told a news conference that this "would be a good price".

However, Mr Gauze did not disguise the fact that producing and consuming countries, now half-way through a three-week negotiating session, remained far apart on the objectives and financing of the new accord. The present International Cocoa Agreement expires in September 1993.

Discussion has centred on the proposal made by consuming countries for the introduction of a withholding scheme to keep supplies back from a saturated world market, coupled with longer-term measures to curb production.

Producers, led by Ivory Coast, which accounts for a third of world output, say they are willing to accept withholding, provided the plan reverses the downward trend in prices, stabilises the market and lifts the price "to remunerative levels".

Mr Gauze would not say yesterday how much cocoa would need to be withheld from the market to defend a price of £1,400 a tonne. However, he estimated that 400,000-450,000 tonnes would have to be held back just to cover the costs of the scheme. He added that producers did not want any ceiling on withholdings and described the limit proposed by consumers of 300,000 tonnes as "insignificant".

With the inclusion of the 240,000 tonne buffer stock now held by the International Cocoa Organisation, world cocoa stocks were around 1.2-1.3m tonnes, he said.

Mr Gauze also criticised consumer proposals to finance the proposed withholding scheme principally from payment of arrears to the International Cocoa Organisation. The organisation is owed nearly $140m, much of it by the Ivory Coast and Brazil. Producers say the new scheme, like the old, should be financed by a levy on cocoa trade, including the exports of countries not members of the agreement, such as Malaysia and Indonesia. Mr Gauze said arrears should be repaid by a surcharge on the levy.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,730-1,755 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.60 (2.30-2.45).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.75-0.95 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 22.50-23.50 (22.50-24.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 140-160 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.35-2.45 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 53-62 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.00-2.10 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.75 (same).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+4,050	to 1,305,175
Copper	−1,750	to 260,650
Lead	−25	to 145,375
Nickel	−36	to 25,572
Zinc	−125	to 335,175
Tin	−20	to 13,845

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA prices at the London Futures and Options Exchange fell sharply yesterday, continuing the downturn that began on Monday morning. As speculators and investment funds unloaded holdings the September delivery price tumbled to £594 a tonne at the close, down £22 on the day and £38 from the 2½-month peak reached on Monday. Traders suggested, however, that the market was likely to consolidate at around the present level, which was still £85 above the 16½-year low reached nearly three weeks ago. At the London Metal Exchange **COPPER** and **TIN** prices made modest gains from Monday's closing levels but other metals lost further ground. And copper's rise of £9.25 in the three months position was mainly a reflection of sterling's weakness. In dollar terms, the price was down slightly from Monday's final kerb close. Tin prices were boosted earlier by a wave of short-covering following the falls of the three preceding trading days. After drifting back later the three months price closed at $7,077.50 a tonne, up $25 on balance. **NICKEL** remained easier after investment fund liquidation, the three months price closing at $7,442.50 a tonne, down $72.50 on the day.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.56-8.80z	+1
Brent Blend (dated)	$19.85-9.95	+.025
Brent Blend (Aug)	$20.00-20.10	+.025
W.T.I (1 pm est)	$21.35-1.45z	+.025
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$220-224	+2
Gas Oil	$185-186	+2
Heavy Fuel Oil	$83-85	
Naphtha	$195-197	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$350.55	+1.85
Silver (per troy oz)♣	394.0c	
Platinum (per troy oz)	$391.75	+4.90
Palladium (per troy oz)	$88.65	+2.40
Copper (US Producer)	117.13c	-0.57
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	17.35r	-0.04
Tin (New York)	326.0c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.19p	+0.56*
Sheep (live weight)†♠	76.13p	+0.27*
Pigs (live weight)†	88.27p	+1.16*
London daily sugar (raw)	$262.0w	+3.80
London daily sugar (white)	$292.0w	+0.70
Tate and Lyle export price	£245.0	+2.50
Barley (English feed)	£111.0	
Maize (US No 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq	
Rubber (Aug)♥	50.75	+0.5
Rubber (Sep)♥	50.75	+0.5
Rubber (KL RSS No 1 Jul)	221.0r	
Coconut oil (Philippines)§	$535.0t	-5
Palm Oil (Malaysian)§	$387.5z	-5
Copra (Philippines)§	Unq	
Soyabeans (US)	£135.5	+1
Cotton "A" index	65.45c	-0.25
Wooltops (64s Super)	377p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct. y-July. w-Jul/Aug. z-Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices. ‡‡ previous figure should have been 250.5

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	235.40	233.00	237.00	231.80
Oct	216.80	214.60	214.60	214.20
Dec	201.80	202.00	199.60	199.20
Mar	206.20	205.00	204.60	204.60
White	**Close**	**Previous**	**High/Low**	
Aug	297.60	292.50	296.50	292.00
Oct	269.80	268.00	271.60	267.00
Dec	267.60	267.00	269.50	268.00
Mar	269.80	269.00	271.50	263.00
May	271.80	271.50	271.60	271.00
Aug	276.90	276.50	276.60	276.00
Oct	268.90		268.00	267.90

Turnover: Raw 529 (78) lots of 50 tonnes. White 1728 (2045) Paris- White (FFr per tonne): Aug 1468.82 Oct 1354.98

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low	
Aug	20.07	19.97	20.15	19.87
Sep	20.10	20.02	20.21	20.03
Oct	20.06	20.00	20.15	20.03
Nov	20.06	20.01	20.10	20.03
Dec	19.97	19.95	20.05	19.98
Jan	19.80	19.88	19.95	19.90
Feb	19.70		19.80	19.80
IPE Index	19.93	20.07	19.93	

Turnover 37876 (33247)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Aug	185.00	183.75	185.50	184.50
Sep	187.00	185.75	187.25	186.25
Oct	189.75	188.25	189.75	188.75
Nov	191.50	190.25	191.75	191.00
Dec	192.75	191.25	193.25	192.25
Jan	191.00	190.00	192.00	191.00
Mar	184.50		184.50	184.00
Apr	181.00		181.25	181.00

Turnover 10305 (8587) lots of 100 tonnes

COTTON
Liverpool - Spot and shipment sales for the week ending 10 July 1992 amounted to 103 tonnes against nil in the previous week

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Jul	576	610	590	578
Sep	594	616	613	590
Dec	622	644	641	619
Mar	651	671	668	648
May	668	688	680	667
Jul	685	706	686	686
Sep	704	724	705	705
Dec	730	750	732	730

Turnover: 6480 (7204) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 13 793.96 (791.90) 10 day average for Jul 14 760.80 (753.21)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low	
Jul	747	750	735	732
Sep	759	760	763	742
Nov	771	770	773	752
Jan	788	784	778	767
Mar	807	800	793	789
May	823	815	809	809

Turnover: 1687 (3304) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 10: Comp. daily 49.49 (50.23) 15 day average 47.63 (47.51)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
Apr	80.3	79.5	80.5	78.5

Turnover 72 (107) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low	
Aug	118.50	118.50	118.50	118.50
Oct	120.50	118.70	120.50	120.00

Turnover 125 (100) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low	
Jul	1060	1047	1060	1044
Aug	1092	1090	1095	1080
Sep	1128	1130	1128	1125
Oct	1208	1202	1208	1208
Oct	1290		1290	1290
BFI	1057	1058	1057	1057

Turnover 89 (117)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low	
Sep	113.00		113.00	112.50
Nov	115.90	115.75	115.90	115.35
Mar	122.25	122.00	122.25	121.85
May	124.90	125.25	124.90	124.70
Jun	126.30	127.25	126.30	126.30
Barley	**Close**	**Previous**	**High/Low**	
Sep	111.15	111.25	111.15	110.85
Nov	114.60		114.60	114.60
Jan	117.70		117.70	117.70
Mar	120.05		120.05	120.05
May	121.40	121.65	121.40	121.40

Turnover: Wheat 155 (137), Barley 46 (31).
Turnover lots of 100 Tonnes

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jul	117.8	118.0	117.2	117.2
Aug	107.8	108.0	107.6	107.4
Sep	106.4	108.0	106.8	106.4
Oct	106.5		106.5	106.5
Nov	108.0		108.0	108.0
Feb	102.0		100.0	100.0

Turnover:31 (16) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 41,744 lots
Cash	1291-2	1294.5-95.		1289-90		
3 months	1316-7	1319-20	1318/1314	1315-5.5	1316-7	171,1422 lots
Copper, Grade A (£ per tonne)						Total daily turnover 37,476 lots
Cash	1310-1	1301.5-2.5		1300-0.5		
3 months	1326.5-7	1317-18	1327/1314	1316-6.5	1325-6	133,384 lots
Lead (£ per tonne)						Total daily turnover 7,630 lots
Cash	311.5-2.5	311.5-2.5		312-3		
3 months	324-4.5	323.5-4.0	325/324	324.5-5.0	324.5-5	25,347 lots
Nickel ($ per tonne)						Total daily turnover 8,621 lots
Cash	7365-75	7440-50		7335-40		
3 months	7440-5	7510-20	7500/7410	7415-20	7445-7	25,185 lots
Tin ($ per tonne)						Total daily turnover 2,619 lots
Cash	7045-55	7030-35		7045-50		
3 months	7075-80	7050-55	7120/7050	7070-75	7060-70	10,784 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 25,682 lots
Cash	1286-8	1291-93	1281	1281-1.5		
3 months	1306-10	1313-15	1310/1304	1305-5.5	1307-8	65,711 lots

LME Closing £/$ rate:
SPOT: 1.9130 3 months: 1.8817 6 months: 1.8794 9 months: 1.8505

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	350.40-350.70	
Opening	349.80-350.20	
Morning fix	350.40	182.121
Afternoon fix	349.30	182.212
Day's high	350.60-350.90	
Day's low	349.00-349.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.01	6 months	2.97
2 months	2.98	12 months	3.04
3 months	2.97		

Silver fix	p/troy oz	US cts equiv
Spot	395.00	205.75
3 months	398.25	210.90
6 months	401.85	216.20
12 months	409.80	226.30

GOLD COINS

	$ price	£ equivalent
Krugerrand	349.00-351.00	182.00-184.00
Maple leaf	359.25-361.60	-
New Sovereign	85.00-87.00	44.00-45.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1250	67	97	6	15
1350	34	64	25	33
1450	14	39	54	57
Copper (Grade A)	**Calls**		**Puts**	
2400	126	12	13	48
2500	56	69	44	94
2600	20	35	105	156
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
700	68	173	7	2
750	32	127	23	6
800	13	87	54	16
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
575	29	63	11	16
600	16	48	23	26
625	8	35	40	38
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
2000	51		39	57
2050	30			
2100	15	26		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	351.1	349.1	0	0
Aug	351.6	349.6	352.0	350.0
Sep	352.6	350.6	0	0
Oct	353.5	351.5	353.7	351.9
Dec	355.4	353.4	355.7	353.6
Feb	357.3	355.3	357.0	355.4
Apr	359.2	357.2	359.0	359.0
Jun	361.2	359.2	361.0	360.7
Aug	363.4	361.4	363.0	363.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	391.0	392.0	395.0	391.0
Oct	390.5	391.5	395.5	389.0
Jan	389.5	389.5	394.0	389.5
Apr	393.5	389.5	393.5	393.5
Jul	389.5	387.5	389.5	389.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	393.8	391.9	393.0	391.5
Aug	394.8	392.8	0	0
Sep	395.8	393.8	396.0	392.5
Dec	399.8	397.8	400.0	397.0
Jan	401.3	399.3	0	0
Mar	404.2	402.2	404.5	401.0
May	407.1	405.1	0	0
Jul	410.0	408.0	0	0
Sep	413.0	411.0	0	0
Dec	418.1	418.1	417.5	417.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	114.15	112.65	114.30	112.10
Aug	114.30	112.75	114.30	112.30
Sep	114.40	112.75	114.75	112.10
Oct	113.85	112.10	0	0
Nov	113.35	111.85	113.00	112.15
Dec	112.95	111.65	113.35	111.00
Jan	112.35	111.05	0	0
Feb	111.75	110.45	0	0
Mar	111.05	109.75	111.25	109.80
Apr	110.35	109.15	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.62	9.58	9.72	9.50
Mar	9.40	9.36	9.47	9.35
May	9.35	9.31	9.40	9.31
Jul	9.28	9.25	9.35	9.30
Oct	9.24	9.19	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Aug	21.48	21.36	21.51	21.38
Sep	21.36	21.30	21.44	21.28
Oct	21.30	21.26	21.37	21.24
Nov	21.27	21.24	21.35	21.25
Dec	21.22	21.21	21.30	21.16
Jan	21.14	21.14	21.21	21.13
Feb	21.05	21.06	21.11	21.03
Mar	20.94	20.96	21.00	20.96
Apr	20.84	20.87	20.90	20.90
May	20.75	20.78	20.81	20.77

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Aug	5990	6005	6060	5970
Sep	6090	6110	6150	6070
Oct	6191	6200	6230	6170
Nov	6285	6295	6315	6265
Dec	6370	6375	6410	6360
Jan	6395	6400	6425	6380
Feb	6300	6305	6340	6300
Mar	6065	6065	6080	6040
Apr	5845	5840	5830	5830
May	5685	5675	5700	5700

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	948	993	0	0
Sep	984	1033	1005	983
Dec	1043	1090	1068	1042
Mar	1087	1130	1107	1085
May	1117	1163	1135	1116
Jul	1145	1191	0	0
Sep	1174	1220	0	0
Dec	1215	1261	0	0
Mar	1253	1299	0	0
May	1282	1328	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	59.35	59.10	59.50	59.10
Sep	61.60	61.05	62.10	59.90
Dec	63.85	63.40	64.20	62.25
Mar	66.40	65.95	66.50	65.10
May	70.25	69.95	70.40	69.50
Jul	72.40	72.05	72.50	72.25
Sep	74.35	73.90	0	0
Dec	77.20	76.65	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	63.60	63.75	63.70	63.37
Mar	63.80	64.00	63.86	63.70
May	64.55	64.70	64.50	64.40
Jul	65.05	65.00	65.00	64.90
Oct	63.45	63.61	0	0
Dec	63.25	63.26	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	125.35	124.70	125.50	124.75
Sep	123.35	120.30	123.70	120.75
Nov	118.55	114.50	116.60	115.25
Jan	115.50	113.35	115.50	113.50
Mar	115.50	113.35	114.00	114.00
May	115.50	113.35	0	0
Jul	115.00	112.85	0	0
Sep	115.00	112.85	0	0
Nov	115.00	112.85	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 14	Jul 13	mnth ago	yr ago
1554.7	1562.3	1595.1	1710.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 13	Jul 10	mnth ago	yr ago
Spot	117.72	118.51	119.38	124.07
Futures	118.93	119.84	119.73	122.39

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	568/6	572/2	574/0	568/6
Aug	571/4	575/0	576/2	571/2
Sep	573/2	577/2	578/4	573/0
Nov	577/2	582/0	583/0	577/0
Jan	585/2	589/4	590/6	585/0
Mar	593/0	598/4	598/2	593/0
May	600/2	604/4	605/0	599/6
Jul	603/6	607/0	608/6	603/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	19.38	19.56	19.57	19.37
Aug	19.44	19.62	19.67	19.43
Sep	19.60	19.75	19.81	19.58
Oct	19.73	19.91	19.97	19.73
Dec	20.05	20.23	20.28	20.04
Jan	20.16	20.33	20.34	20.16
Mar	20.48	20.64	20.65	20.48
May	20.76	20.91	20.90	20.76

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	175.6	176.4	176.7	175.4
Aug	176.1	176.8	177.4	176.0
Sep	177.1	177.7	178.3	177.0
Oct	194.4	194.8	195.7	194.3
Dec	194.0	194.9	195.3	193.9
Jan	193.6	194.5	195.0	193.5
Mar	193.0	194.5	195.0	192.5
May	192.9	194.3	194.6	192.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	234/2	240/4	240/4	234/0
Sep	234/0	237/6	237/6	233/6
Dec	236/6	239/4	240/2	236/4
Mar	245/0	247/4	248/0	244/6
May	250/2	252/6	253/0	250/0
Jul	254/0	256/4	256/4	254/0
Sep	253/0	253/4	253/0	253/0
Dec	251/2	251/0	252/2	250/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	340/2	339/2	342/4	340/0
Sep	341/0	338/0	342/4	340/0
Dec	351/2	348/4	352/6	349/0
Mar	353/2	350/6	354/6	351/0
May	344/0	343/0	346/0	343/0
Jul	327/0	325/2	327/2	324/0
Sep	332/0	330/0	0	0
Dec	340/0	338/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.175	73.575	74.260	73.750
Oct	73.675	73.100	73.700	73.150
Dec	71.675	71.300	71.750	71.350
Feb	70.875	70.525	71.050	70.550
Apr	72.250	72.000	72.400	72.050
Jun	69.350	69.225	69.600	69.300
Aug	68.175	68.000	68.400	68.175

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	45.600	45.775	46.050	45.425
Aug	43.025	42.675	43.400	42.825
Oct	38.375	38.175	38.600	37.925
Dec	39.400	39.450	39.650	39.100
Feb	40.200	40.200	40.400	40.025
Apr	39.250	39.600	39.600	39.200
Jun	45.150	45.400	45.400	45.100
Aug	43.275	43.275	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	31.025	PR.SET	HIGH	LOW
Aug	27.275	30.900	31.250	30.650
Feb	36.425	27.250	27.600	27.050
Mar	36.200	36.875	36.950	36.900
May	37.400	36.700	36.775	36.200
Jul	38.800	37.600	37.650	37.300

Late rally leaves share prices firmer

By Terry Byland, UK Stock Market Editor

GLIMMERS of returning confidence brightened the UK stock market yesterday when share prices rallied to close higher in spite of a background of continuing gloom on both the economic and corporate fronts. Trading volume remained unexciting but increased towards the close on selective buying from both UK and US investment sources.

The London market remained tense as it waited to hear if tomorrow's meeting of the Bundesbank council will take action to tighten credit policies in Germany, a move which would inevitably imply upward pressures on UK base rates. Concern over the recession in the UK was fuelled yesterday by news of a 1 per cent fall in May's industrial production figures – substantially greater than expected. The stock market also had to face a heavy batch of profits downgrades on leading UK companies by brokerage analysts.

Early deals saw the FT-SE Index fall by 16 points, led downwards by a setback in the September futures contract on the index. The market steadied at 2,461, however, lending substance to the view of some analysts that the 2,500 area is a resistance base. Shares then traded steadily until early afternoon, helped by a steadier performance from the stock index futures contract.

A strong rally began in late afternoon and the Footsie regained its losses and moved into positive territory. US buyers appeared for British Petroleum, Cadbury-Schweppes, Reuters and Cable and Wireless, although Wall Street made a slow start to its own session, with the Dow Average easing one point in UK hours.

Account Dealing Dates		
First Dealings:		
Jun 29	Jul 13	Jul 27
Option Declarations:		
Jul 9	Jul 23	Aug 6
Last Dealings:		
Jul 10	Jul 24	Aug 7
Account Day:		
Jul 20	Aug 3	Aug 17

*New time dealings may take place from 8.30 am two business days earlier.

The final reading showed the FT-SE Index at 2,484.0, with a net gain of 5.7 on the session. Traders eschewed enthusiasm, pointing out that the day's Seaq total of 374.1m shares was still unimpressive. Monday's Seaq volume of 349.4m represented retail or customer business worth only £883.8m.

Traders of a superstitious nature remembered that tomorrow is the the fifth anniversary of the stock market peak ahead of the crash suffered in October 1987;the Footsie reached 2,443.4 on July 16 of that year, so only the nimble-footed would seem to have made money out of UK equities over the past five years.

The problems of the new issue sector continued to overhang equities yesterday. Share issues in MFA Furniture and in Anglian Group, neither a great success at the underwriting stage, enter the market this week.

A steadier performance by the US dollar helped many of London's overseas earning stocks, many of which earn profits in the US currency. The Footsie index was boosted by a sharp turnound in British Petroleum which closed sharply better on the day as US buyers returned.

But domestic stocks continued to suffer from downgrading operations by brokerage firms, which turned their attentions on the retail sector where several well-known names attracted adverse comments. But the weight of negative views was lightened by more favourable assessments of the property sector which has suffered a prolonged setback.

Wellcome tension increases

UNCERTAINTY continued over the price likely to be set for the issue of 330m Wellcome shares by Wellcome Trust, the medical charity which holds 73.5 per cent of the equity. There is a growing feeling in the market that the issue price will be around 850p when the tendering for shares ends on July 24.

Observers said bear raiders have brought the share price down to a level regarded as more appropriate by the market and institutions. Yesterday, the stock eased a penny to 877p and traders expect the shares to remain in a tight trading range during this account. Institutional investors are said to be bidding for the issue at a 2 to 3 per cent discount to the market price. Some said the discount could be as high as 5 per cent, implying a strike price around 835p.

A strike price of 850p would allow the stags to buy the issue, so as to sell again when trading starts. This prospect would disappoint Wellcome, which had hoped that using a tender process rather than the traditional discounted price method would allow a fair market value to be established. However, the company is believed to be satisfied with the level of interest in the UK.

Properties bounce

The bounce in the stock market was mirrored in the maligned property sector, which has hit a 30-year relative low, according to securities house UBS Phillips & Drew. On this evidence, selected stocks seemed to find a floor yesterday as UBS, among others, advised clients to buy. British Land put on 8 to 183p, MEPC 3 to 261p and Slough Estates 11 to 136p in busy turnover in the normally neglected sector.

Property issues have underperformed the market by 25 per cent this year alone, with falling asset and land values, together with declining rental returns, and well-publicised crashes, all adding to investor unease. The sector relative now stands at 49.9, the first time it has gone below 50 since the FT-Actuaries Indices were first published just over 30 years ago.

Fresh evidence of the hill that share prices have to climb also emerged yesterday, the Richard Ellis Monthly Index showing a near-16 per cent fall in rental values to June 1992, including the biggest monthly fall recorded – 2.4 per cent – in June alone.

Reuters strong

News and information organisation Reuters climbed 28 to 1169p as buyers moved in ahead of half-year results due next Tuesday. US investment bank Goldman Sachs was said to be buying heavily.

Upgrading the group, Mr Brian Newman of Henderson Crosthwaite forecast profits of around £190m, against £170m previously, and said the company's cash holdings are likely to have grown to around £650m from £500m. He also forecast dividend growth of about 15 per cent.

He added: "The two new trading products, Dealing 2000-2 and Globex, are technical successes. Around 88 per cent of Reuters' revenue is outside the UK, so it is relatively unaffected by national recessionary worries. The stock feels very firm and it could easily return to the 1200p level."

L & G upset

Disappointing new business figures for the first half of the year from Legal & General, the UK's third largest life assurance group by market capitalisation, saw the shares slide in an otherwise firm life sector.

The stock has underperformed the life sector in recent weeks as the market anticipated poor new business numbers and some analysts cast doubts on hopes of an increase in the dividend this year.

There is also concern in the market about continuing problems in the mortgage indemnity business, which left L & G with a £121m underwriting loss in 1991. The shares slipped 8 to 346p in 2.2m turnover.

British Petroleum was in the vanguard of the market's rally. The shares at first fell below the 200p mark, and then stabilised before driving ahead in the wake of determined US buying interest.

Aiding the recovery was a positive note by County NatWest. The broker said that much of the bad news has now occurred, with oil prices down and analysts' profits estimates sharply reduced.

The broker also noted that the market had probably factored in a 50 per cent cut in the dividend, and it anticipated a 40 per cent reduction. County said that for once Shell Transport "looks more vulnerable than BP in the short term". BP shares regained 6½ to 207½p on good turnover of 8.5m, while Shell eased 2 to 480p.

Standard Chartered added 7 at 425p amid relief that the Isosceles refinancing had been completed. TSB dipped 4 to 144p as profit-takers moved in after recent bid speculation.

There was no knock-on effect in life assurers after the slide in Legal & General. Lloyds Abbey moved up 11 to 387p, Refuge, reporting new business figures on July 22, rose 7 to 683p, while Prudential, announcing similar data a day earlier, edged up 3 to 252p.

A gloomy annual meeting statement from Courtaulds and continuing profit forecast cuts from analysts hit the shares, but they picked up later to close only 4 off at 498p.

Hints that Cadbury-Schweppes had been hosting bullish presentations in Europe added to the glow surrounding the stock this week. The shares gained 7 to 481p.

Argyll remained firm ahead of today's agm, rising 4 to 359p. J. Sainsbury was also resilient; Hoare Govett reported positive noises from the company on current trading and upgraded its current-year forecast by £10m to £735m.

Hotel group Forte found little early support as a large seller in the market, adverse press comment and a BZW downgrade all helped the shares crumble 8 to 162p. They later recovered to close 2 off at 168p in hefty turnover of 5.1m.

Talk of a Monopolies and Mergers Commission investigation into compact disc prices undermined Thorn EMI, which tumbled but climbed back to end 4 off at 799p.

Turnover in business services group BET rose to 7.2m after the company announced a £200.7m rights issue to be used to redeem US$380m of BET's US$500m Auction Market Preference Shares. The shares lost 4 to 129p, but sentiment was helped by a BZW recommendation. Johnson Matthey was wanted ahead of today's annual meeting, firming 4 to 415p.

MARKET REPORTERS:
Peter John, Joel Kibazo, Christopher Price, Steve Thompson.

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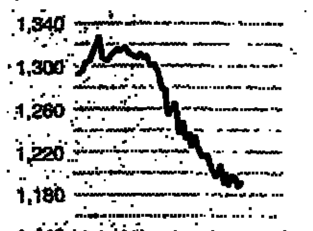
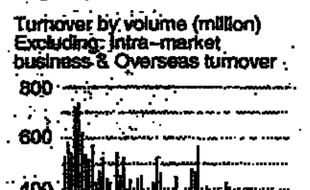
FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



A SQUEEZE combined with bargain hunting helped stock index futures end sharply ahead after an initial retreat, writes Joel Kibazo.

Trading in the FT-SE futures contract for September delivery opened at 2,480 and quickly went into retreat, falling to 2,472 within minutes of the opening. Independent traders were the main sellers, which also had the effect of leading the underlying cash market lower.

But a feeling that September had been oversold, together with the independent traders moving to cover short positions, not only caused a turnround but led to a squeeze, sending the contract strongly forward.

The release of poor UK economic data had no effect and was followed by a quiet period of sideways trading over the lunch time period before buyers returned to send the contract to a strong finish.

September closed at 2,509, up 17 from Monday's close and around 10 points above its estimated fair value premium to cash of about 18. Volume reached 6,429 lots.

In traded options, turnover improved to reach 25,005, up from 20,613 the previous day. A large part of the day's business was in the FT-SE 100 option ahead of Friday's expiry. Volume in the index option totalled 13,284 lots. The Euro FT-SE traded 1,433 contracts. Business in the stock options was dull. BAe was the most actively traded, with a day's total of 900 contracts. This was followed by Courtalds on 891 lots.

FINANCIAL TIMES STOCK INDICES

	July 14	July 13	July 10	July 9	July 8	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.60	89.45	89.66	89.72	89.62	84.86	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	106.25	106.19	106.22	106.15	106.10	93.77	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1897.4	1890.3	1903.7	1913.9	1891.1	1971.4	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	85.7	85.3	84.0	83.8	83.6	212.9	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2484.0	2478.3	2490.8	2497.9	2472.6	2556.8	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1149.98	1149.14	1158.17	1158.82	1148.89	1163.24	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (18/1/91)
●Ord. Div. Yield	4.88	4.90	4.78	4.78	4.85	4.80				
●Earning Yld %(full)	7.03	7.06	6.97	7.00	7.10	8.43				
●P/E Ratio(Net)(*)	17.90	17.85	18.00	17.93	17.67	14.59				
SEAQ Bargns 5.00pm	18,258	18,487	24,968	20,982	21,772	31,262				
Equity Turnover(£m)†	-	883.8	982.8	1042.7	816.9	1044.72				
Equity Bargains†	-	23,693	26,820	23,396	24,211	31,151				
Shares Traded (ml)†	-	373.7	413.5	431.7	324.7	428.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 18.65

Ordinary Share Index, Hourly changes Day's High 1897.4 Day's Low 1874.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1884.3	1878.1	1884.7	1885.5	1883.3	1883.8	1885.8	1886.6	1893.2

FT-SE 100, Hourly changes Day's High 2484.0 Day's Low 2461.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2472.2	2466.5	2475.4	2477.0	2471.9	2472.1	2473.5	2473.2	2478.3

FT-SE Eurotrack 200, Hourly changes Day's High 1152.15 Day's Low 1147.65

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1150.67	1151.44	1151.52	1149.31	1149.15	1149.24	1149.09

GILT EDGED ACTIVITY

Indices*	July 13	July 10
Gilt Edged Bargains	81.9	86.8
5 – Day average	86.2	88.7

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel 0891 123001 Calls charged at 36p/minute cheap rate, 48p/minute at all other times

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	53	473	+22	Comm. Union	122	458	+5	Lonrho	6,300	77	+5	Shell Transport	3,000	480	-2
ASDA Group	4,800	38	+2	Cookson	657	146	+2	Lucas	6,300	114	-4	Siebe	987	653	+5
Abbey National	2,300	287	+3	Courtaulds	1,700	498	-4	MB Caradon	1,400	237	-3	Slough Ests	1,700	136	+11
Albert Fisher	1,600	39		Dalgety	499	410	-1	MEPC	2,600	261	+3	Smith (W.H.) A	434	403	-3
Allied-Lyons	790	634	+5	De La Rue	67	568	-1	Manweb	490	353	+4	Smith & Nephew	2,600	144½	
Amstrad	897	32½		Dixons	2,200	300	+5	Marks & Spencer	5,100	299	-6	SmKl Beecham	1,100	446	-8
Anglian Water	1,100	409	-3	Eastern Elect.	513	272	+4	Midlands Elect.	815	303	+3	SmKl Beecham Uts	1,100	400	-9
Argos	1,100	227	+10	East Midland Elect.	359	289		NFC	477	250	-2	Smiths Inds	396	281	-1
Argyll Group	2,000	359	+4	Eng China Clays	1,900	505	-3	NatWest Bank	3,900	340	+1	Southern Elect.	578	288	+5
Arjo Wiggins	130	231	-1	Enterprise Oil	1,300	388	-3	National Power	947	248	+3	South Wales Elect.	180	353	+4
Ass. Brit. Foods	88	424	+2	Eurotunnel Units	323	330	-3	Next	3,200	91	+4	South West Water	165	409	+2
Ass. Brit. Ports	471	345		FKI	2,100	76	-2	North West Water	1,000	424	+3	South West. Elect	755	307	+6
BAA	956	661	-2	Fisons	2,500	211	+6	Northern Elect.	255	326	+6	Southern Water	261	393	+2
BAT Inds.	7,700	777	+1	Forte	5,100	168	-2	Northern Foods	225	618	+10	Standard Chartd	1,200	425	+7
BET	271	129	-4	Gen. Accident	451	413	-5	Norweb	329	338	+4	Storehouse	1,800	130	
BICC	322	292	+2	General Elect.	1,800	223	+1	Pearson	286	352	+1	Sun Alliance	1,100	366	
BOC	642	847	-4	Glaxo	3,700	693	+3	P & O	1,900	387	-1	T&N	1,100	150	
BPB Inds	2,300	145	-5	Glynwed Int	222	214	-1	Pilkington	1,800	113	-3	TI Group	912	321	-2
BT	3,400	355	+2½	Granada	894	248	-3	PowerGen	915	259	+3	TSB	3,300	144	-4
BT New	1,600	252	+1	Grand Met.	2,600	469	+3	Prudential	3,800	252	+3	Tarmac	2,400	87	-3
BTR	1,600	444	+2	GUS A	145	1401	-12	RHM	1,900	198	-2	Tate & Lyle	1,000	366	-1
Bank of Scotland	2,700	108	-2	GRE	1,500	135	+2	RMC	268	536	-8	Taylor Woodrow	300	75	-2
Barclays	4,400	317	+1	GKN	212	374	-7	RTZ	720	548	-5	Tesco	4,600	253	
Bass	721	550	+2	Guinness	1,600	562	+2	Racal	1,400	67¾	+1	Thames Water	1,000	432	
Berisford Int.	0	15½		HSBC (75p shs)	11,000	344	-4½	Rank Org.	578	604	-11	Thorn EMI	1,000	799	-4
Blue Circle	663	210	+2	Hammerson 'A'	128	285		Reckitt & Colman	677	616	+8	Tomkins	396	479	+9
Booker	82	434	-5	Hanson	3,800	207½	+4	Redland	629	473	-2	Trafalgar House	316	88	-2
Boots	1,700	422	+3	Hanson Warrants	394	21¾	+½	Reed Intl	117	523	+2	Unigate	1,000	302	-3
Bowater	261	771	+2	Harrisons Crosfield	2,400	127	+1	Rentokil	566	184	+3	Unilever	773	343	+4
Brit. Aerospace	656	253	+6	Hillsdown	2,200	138	-3	Reuters	271	1169	+28	United Biscuits	282	349	
British Airways	2,500	278	-1	IMI	60	242	+1	Rolls Royce	448	144	-1	Utd Newspapers	311	411	-2
British Gas	2,500	250½	-½	ICI	438	1141	-2	Rothmans	123	1100	+12	Vodafone	973	309	+4
British Land	673	193	+8	Inchcape	1,100	451	+3	Ryl Bk Scotland	288	184	-2	Warburg (SG)	100	459	-1
BP	8,500	207½	+6½	Kingfisher	2,400	460	-6	Royal Insurance	3,600	202		Wellcome	452	877	-1
British Steel	522	59		Kwik Save	284	641	+5	Saatchi	143	126	-1	Welsh Water	182	456	-1
Bunzl	3,300	91	-3	Ladbroke	3,400	199		Sainsbury	1,000	456	+5	Wessex Water	135	480	
Burmah Castrol	1,600	567	-1	Land Securities	2,400	392	+1	Scottish & New	906	445	+3	Whitbread 'A'	298	442	
Burton	1,300	42½		Laporte	203	573	-5	Scot. Hydro-Elect.	1,100	198	+2	Williams Hldgs	1,000	279	-2
Cable & Wire.	1,200	540	+6	Legal & General	3,100	346	-8	Scottish Power	3,200	164	+2	Willis Corroon	1,200	208	+5
Cadbury Schweppes	1,600	481	+7	Lloyds Abbey	841	387	+11	Sears	2,000	82		Wimpey	368	124	-3
Calor Group	20	188		Lloyds Bank	2,300	432	-3	Sedgwick	1,200	174	-3	Wolseley	319	353	-10
Carlton Comms.	407	616	+9	LASMO	2,200	161	-2	Seeboard	337	309		Yorkshire Elect.	733	351	+3
Coats Viyella	632	188	+3	London Elect.	330	307	+6	Severn Trent Water	490	402	+1	Yorkshire Water	202	453	+5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (14).
BRITISH FUNDS (6) Fd 3½pc '99-04, Consols 4pc, Cv 3½pc '61 Aft, Tr 3pc '66 Aft, Consols 2½pc, Tr 2½pc. OTHER FIXED INTEREST (1) Hydro Quebec 15pc '11. BANKS (1) HSBC. FOOD MANUFACTURING (1) Barr (AG). INVESTMENT TRUSTS (2) Brazilian Wts, Scot Natl Stppd Pf. MEDIA (1) Sterling Pblng. METAL & METAL FORMING (1) Morris Ashby. PROPERTY (1) HK Land.
NEW LOWS (144).
BRITISH FUNDS (2) Ex 12¼pc '92, Ex 13½pc '92. AMERICANS (1) Unilab. CANADIANS (1) Hudson's Bay. BANKS (2) ANZ, Toyo T & B. BREWERS & DISTILLERS (1) Fuller STA. BUILDING MATERIALS (6) Heywood Williams, Do Cv Pf, SWP, Starmin, Tarmac, Travis Perkins. BUSINESS SERVICES (2) Corporate Servs, Proudfoot (A). CHEMICALS (3) Courtaulds, Ellis & Everard, Leigh Ints. CONGLOMERATES (4) Ensor, MB Caradon, Do 7¼pc Pf, Tollgate. CONTRACTING & CONSTRUCTION (14) AMEC, Birse, Campbell & Armstrong, Chequers, Cussins, EBC, Edmond, Gleeson, Higgs & Hill, Sindall, Taylor Woodrow, Ward Hldgs, Wilson Bowden, Wilson (C). ELECTRICALS (2) BICC, Dale. ELECTRONICS (4) Indl Control Servs, Kewill Systs, Logica, P-E Intl. ENGINEERING GENERAL (1) Kvaerner. FOOD MANUFACTURING (4) Bensons Crisps, Clifford N/V, Hillsdown, Sims. FOOD RETAILING (2) Brake Bros, Watson & Philip. HEALTH & HOUSEHOLD (3) Medeva, Seton Healthcare, Swallowfield. HOTELS & LEISURE (6) BCE, Forte, Friendly, Hi-Tec Sports, Ladbroke, Magnolia, Owners Abroad 9¾pc Pf, Resort, Savoy. INSURANCE BROKERS (5) Heath, Hogg, JIB, Steel Burrill Jones, Sturge. INSURANCE LIFE (1) Liberty Life. INVESTMENT TRUSTS (13) Abtrust Prfd Inc, City of Oxford Inc, First Ireland, Fleming Amer, Martin Currie Euro Wts, Radiotrust, River & Merc Geared Inc, Schroder Japanese Wts, Schroder Korea, Scot Natl Inc, Siam Select Growth, Sphere Inc, Throgmorton Dual Inc. MEDIA (3) Capital Radio, More O'Ferrall, Shandwick. MERCHANT BANKS (2) Brown Shipley, Close Bros. METAL & METAL FORMING (5) ASW, Apollo Metals, Cook, Richards, Utd Inds. MISCELLANEOUS (5) Amberley, Elbief, Forth, Sinclair, UDO. OIL & GAS (3) Aviva, Blystad, Europa Energy. OTHER FINANCIAL (4) Alex, Cons Alex, King & Shaxson, Union Discount. OTHER INDUSTRIAL MATERIALS (1) Williams. PACKAGING, PAPER & PRINTING (3) Huntsprint, SCA, Sonic. PROPERTY (14) Brixton Est, Chesterfield, Hammerson, MEPC, Mountview Ests, Osprey Ests, Regalian, Scot Metrop, Sheafbank, Slough, Do 8¼pc Pf, Town Centre, Trafford Park, Warner Ests. STORES (8) Alexon, Argos, Asprey, Austin Reed N/V, Blacks Leis, Hughes (HJ), Lloyds Chemists, Do 7½pc Pf. TEXTILES (3) Campari, Oakleaf, Utd Uniform Servs. TRANSPORT (3) Davies & Newman, Ocean, Transport Dev. SOUTH AFRICANS (3) Barlow Rand, Tiger Oats, Tongaat-Hulett. PLANTATIONS (1) Bertam. MINES (6) De Beers Lnk Uts, Europa Mine sis, Kenmare, Melinga, Rand Mines, Southern Pacific.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday July 14 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Jul 13 Index No.	Fri Jul 10 Index No.	Thu Jul 9 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (177)	779.77	-0.5	7.57	5.76	16.87	20.19	783.42	792.90	797.96	815.48
2	Building Materials (22)	862.90	-1.4	6.28	6.50	21.66	25.58	874.81	880.05	886.35	1036.38
3	Contracting, Construction (28)	732.96	-2.6	4.75	8.16	46.25	25.20	752.47	760.14	773.46	1144.99
4	Electricals (9)	2364.26	+0.1	7.32	6.39	17.70	68.82	2360.78	2392.53	2437.68	2335.81
5	Electronics (28)	1921.35	......	8.39	4.52	14.86	44.82	1921.73	1985.28	1981.36	1710.21
6	Engineering-Aerospace (6)	326.95	+0.2	11.14	7.97	11.36	11.27	326.19	327.53	326.93	407.45
7	Engineering-General (43)	478.35	-0.2	8.61	5.04	14.38	11.44	479.44	481.98	480.78	439.31
8	Metals and Metal Forming (8)	298.68	+0.2	5.72	7.39	25.51	6.92	298.04	306.78	312.20	431.02
9	Motors (14)	337.78	-1.3	7.86	6.96	16.74	10.04	342.26	344.03	346.53	314.76
10	Other Industrial Materials (19)	1654.06	......	7.50	5.02	16.06	36.53	1654.52	1668.67	1686.32	1574.93
21	CONSUMER GROUP (188)	1581.66	+0.1	7.69	3.62	15.96	24.61	1580.05	1588.67	1594.83	1500.99
22	Brewers and Distillers (24)	2078.41	+0.4	7.97	3.52	15.14	29.60	2070.01	2077.20	2067.14	1832.13
25	Food Manufacturing (19)	1237.38	+0.3	8.72	4.27	14.19	26.01	1233.37	1237.74	1239.96	1185.41
26	Food Retailing (18)	2790.92	+0.9	8.75	3.27	14.91	44.70	2764.91	2758.07	2783.48	2729.20
27	Health and Household (24)	3799.09	-0.2	7.26	2.79	15.70	37.92	3805.32	3837.92	3861.52	3670.74
29	Hotels and Leisure (18)	1180.93	-0.9	6.80	5.79	19.12	23.64	1191.81	1193.67	1199.36	1236.96
30	Media (26)	1519.35	+0.8	6.39	3.45	19.36	27.19	1506.63	1515.77	1520.90	1407.65
31	Packaging, Paper & Printing (17)	755.88	-0.4	6.82	4.37	17.77	14.76	758.81	764.59	768.98	717.11
34	Stores (33)	969.86	-0.6	7.77	3.82	17.00	16.96	975.34	986.79	997.15	936.67
35	Textiles (9)	655.14	+0.3	7.17	4.73	17.56	14.72	653.08	654.80	648.85	550.20
40	OTHER GROUPS (118)	1248.86	+0.4	9.99	5.27	12.50	25.61	1243.34	1254.32	1251.58	1235.48
41	Business Services (17)	1359.03	+0.3	6.42	3.67	18.97	20.78	1355.64	1362.61	1364.33	1283.72
42	Chemicals (22)	1374.88	-0.4	7.67	5.29	15.98	33.10	1381.02	1394.14	1386.25	1406.81
43	Conglomerates (11)	1237.26	+1.5	10.07	7.61	12.46	23.62	1219.06	1228.25	1237.04	1434.07
44	Transport (14)	2414.93	-0.4	8.17	4.89	15.09	54.40	2425.04	2441.97	2449.72	2170.85
45	Electricity (16)	1325.53	+1.0	14.90	5.53	8.50	38.33	1312.20	1342.62	1360.65	1202.74
46	Telephone Networks (4)	1420.20	+0.8	10.96	4.65	11.90	21.77	1408.44	1418.69	1404.92	1467.36
47	Water (11)	2811.95	+0.1	15.96	6.15	6.94	86.85	2808.48	2835.51	2837.74	2308.94
48	Miscellaneous (23)	2044.95	+0.2	5.50	4.82	23.93	29.19	2041.87	2044.08	2015.28	2020.84
49	INDUSTRIAL GROUP (483)	1275.75	+0.1	8.41	4.54	14.78	24.22	1274.35	1284.21	1287.26	1248.83
51	Oil & Gas (17)	1917.15	+0.5	7.90	7.42	16.64	63.73	1906.98	1917.36	1951.17	2469.92
59	500 SHARE INDEX (500)	1338.14	+0.2	8.36	4.82	14.95	27.32	1336.12	1346.15	1351.38	1351.89
61	FINANCIAL GROUP (85)	717.01	-0.1	-	6.29	-	20.06	717.60	715.71	711.56	795.54
62	Banks (9)	954.28	-0.4	6.91	5.73	20.52	24.58	958.48	946.96	935.81	916.45
65	Insurance (Life) (6)	1494.46	+0.3	-	5.96	-	44.26	1489.61	1485.23	1467.62	1490.43
66	Insurance (Composite) (7)	475.86	+0.2	-	7.31	-	13.46	474.85	480.94	482.85	663.67
67	Insurance (Brokers) (10)	785.46	+0.2	9.87	8.27	13.33	30.14	783.64	787.67	792.10	1151.01
68	Merchant Banks (7)	441.88	-0.3	-	4.89	-	11.25	443.14	443.00	441.84	421.73
69	Property (31)	585.09	+0.9	9.93	7.83	13.62	19.44	580.16	593.63	598.26	886.26
70	Other Financial (15)	240.44	......	7.55	7.29	17.93	6.63	240.30	240.40	240.51	258.01
71	Investment Trusts (70)	1133.73	-0.1	-	3.95	-	19.26	1134.51	1137.82	1137.19	1211.79
99	ALL-SHARE INDEX (655)	1189.23	+0.1	-	4.99	-	25.23	1187.85	1195.10	1198.25	1217.40

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 13	Jul 10	Jul 9	Jul 8	Jul 7	Year ago
FT-SE 100 SHARE INDEX♦	2484.0	+5.7	2484.0	2461.6	2478.3	2490.8	2497.9	2472.6	2493.7	2556.8

FIXED INTEREST

	PRICE INDICES	Tue Jul 14	Day's change %	Mon Jul 13	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	122.45	-0.03	122.49	2.18	6.60
2	5-15 years (24)	139.82	+0.12	139.64	2.84	6.89
3	Over 15 years (11)	151.45	+0.26	151.05	1.34	6.80
4	Irredeemables (6)	170.29	+0.63	169.23	1.77	7.34
5	All stocks (65)	136.93	+0.10	136.79	2.42	6.93
	Index-Linked					
6	Up to 5 years (2)	173.75	-0.09	173.91	1.08	1.83
7	Over 5 years (10)	152.98	-0.18	153.26	0.63	2.74
8	All stocks (12)	154.66	-0.17	154.92	0.68	2.60
9	Debs & Loans (62)	122.34	+0.11	122.21	2.48	6.21

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jul 14	Mon Jul 13	Year ago (approx.)
	British Government				
1	Low	5 years	8.27	8.30	9.04
2	Coupons	15 years	8.66	8.70	9.87
3	(0%-7¾%)	20 years	8.66	8.70	9.87
4	Medium	5 years	9.17	9.17	10.26
5	Coupons	15 years	8.91	8.93	10.08
6	(8%-10¾%)	20 years	8.86	8.89	10.01
7	High	5 years	9.39	9.38	10.44
8	Coupons	15 years	9.05	9.08	10.21
9	(11%-)	20 years	8.97	9.01	10.10
10	Irredeemables	†	8.95	9.00	10.06
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.97	3.94	4.47
12	Inflation rate 5%	Over 5 yrs.	4.32	4.31	4.38
13	Inflation rate 10%	Up to 5 yrs.	3.18	3.14	3.47
14	Inflation rate 10%	Over 5 yrs.	4.13	4.11	4.18
15	Debs &	5 years	10.44	10.39	11.95
16	Loans	15 years	10.20	10.21	11.73
17		25 years	10.08	10.09	11.51

♦Opening index 2472.2; 9 am 2466.5; 10 am 2475.4; 11 am 2477.0; Noon 2471.9; 1 pm 2472.1; 2 pm 2473.5; 2.30 pm 2474.1; 3 pm 2473.2; 4.10 pm 2481.2; (a) 4.30pm (b) 8.41am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		100⅛	-⅛	101¼	100⅛	12.22	9.95
13½pc 1992		100⅛	-⅛	102⅛	100⅛	13.42	9.92
Treas 8¼pc 1993		99⅛xd	-⅛	99⅛	97½	8.31	9.48
[illegible]							
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		98½	-⅛	99⅛	94	8.88	9.11
8¾pc 1997 D		98½	-⅛	99⅛	98⅛	8.88	9.12
Exch 15pc 1997		122½	-⅛	123½	118⅞	12.25	9.48
9¾pc 1998		102½	—	103⅛	97½	9.51	9.14
Treas 6¾pc 1995-98‡‡		92⅛	+⅛	93⅛	86½	7.32	8.45
15½pc '98‡‡		128⅛	+⅛	129⅛	123⅛	12.09	9.38
Exch 12pc 1998		112⅞	+⅛	113¼	107½	10.83	9.25
Treas 9½pc 1999‡‡		102½	+⅛	103⅝	97⅛	9.24	8.90
Exch 12¼pc 1999		114½	+⅛	115⅞	109½	10.68	9.24

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		109½	+⅛	107½	101½	9.82	9.09
Conversion 10¼pc 1999		105½	+⅛	105½	100½	9.68	9.09
9pc 2000‡‡		100⅛	+⅛	100½	94⅝	8.99	8.95
9% 2000 C		100⅛	+⅛	100½	98½	9.04	8.95
[illegible]							
Treas 5½pc 2008-12‡‡		70⅞	+⅛	70½	62⅞	7.78	8.57
7¾pc 2012-15‡‡		90⅛xd	+⅛	90½	81½	8.58	8.74
Exch 12pc '13-'17		130⅛	+½	130½	120⅛	9.22	8.82
Treas 8¾pc 2017		100⅛	+⅛	101	97⅛	8.94	8.69
Undated							
Consols 4pc		44⅛xd	+¼	44⅛	39⅞	9.87	-
War Loan 3½pc‡‡		39⅛	+⅛	39⅛	35⅛	8.89	-
Conv 3½pc '61 Aft		62⅞	+⅛	62⅞	59	5.57	-

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 3pc '66 Aft		32⅛	+¼	32⅛	29½	9.21	-
Consols 2½pc		27⅞	+¼	27⅞	24½	8.97	-
Treas 2½pc		27½	+⅜	27½	24½	9.83	-
Index - Linked							
[illegible]							

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1991: 135.7 and for June 1992: 139.3

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
[illegible]							
9pc Cap 1996		92½	—	99¼	90	9.76	-
13pc '97-02		104½	—	115½	103⅞	12.44	-
Hydro Quebec 15pc 2011		141½	+1⅛	141½	130⅞	10.59	10.03
Leeds 13½pc 2006		124½	—	125	116¼	10.84	10.22
Liverpool 3½pc Irred		32½	—	33¼	30	10.77	-
LCC 3pc '20 Aft		30⅞	—	30⅞	27	9.76	-
Manchester 11½pc 2007		111	—	111¼	103¼	10.38	10.07
Met Wtr 3pc 'B'		60¼	—	60½	53	4.98	8.68
N'wide Anglia 3⅞pc 2021		119¼	—	111¼	103¼	-	5.36
4¼pc IL 2024		110	—	110¼	103¼	-	5.12
Utd Mex States 16½pc 2008		124½	—	126	121½	13.25	12.85

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs.......h	15⅝xd	+1/16	19⅛	14⅝	13,888	2.0
♥Allegheny & W	280p	+8	335p	226p	146.6	5.5
Amdahl	879p	−60	1159p	793p	984.8	0.6
Amer Cyanamid	30⅞	−⅛	37	28⅝	2,776	2.8
Amer Express	12⅞xd	−1/16	13⅞	10 3/16	5,077	4.3
Amer T & T	22 11/16xd	+¼	24⅞	20⅛	30,257	3.0
Ameritech	34⅜	+⅛	36 5/16	32½	15,214	5.3
BankAmerica	22⅛xd	----	27⅛	19 1/16	7,674	3.1
Bankers NY	32xd	+1/16	37¼	28⅝	2,052	4.8
Bell Atlantic	24½	+¼	28⅜	23⅛	10,647	5.6
BellSouth	27½	+⅛	29⅛	25	13,444	5.3
♥Bethlehem Steel	7 7/16xd	−⅛	9⅝	7	669.3	–
Bowater	1029pxd	−5	1575p	1016p	371.0	6.1
CPC.......h	24⅞xd	−⅛	25⅝	22⅜	3,767	2.5
♥Cadiz Land Inc	178p	−15	342p	168p	–	–
California Engy	647p	.	830p	620p	117.8	–
Campbell Soup	19⅝xd	----	23 1/16	17⅞	4,863	2.1
Chase Manhattan	14½xd	−3/16	16½	9⅛	2,838	4.3
Chrysler	10½xd	+⅛	11½	6¼	3,087	3.0
Chicorp	10⅜xd	−1/16	11¼	5⅜	3,771	–
Colgate-Palm	27 7/16xd	+1/16	28 1/16	25¼	4,386	2.4
Cont'l Bank	1018p	−5	1038p	499p	1,028	3.1
Dana	20 13/16xd	----	24½	14 3/16	947.5	4.0
Data General	419p	+4	1004p	388p	173.1	–
♥Decora Inds	104p	----	122p	66p	–	–
Dun & Brad	29⅞	+¼	33½	27⅝	5,398	4.0
Eaton	39¼	−¼	48½	32½	1,349	2.9
Echlin	9⅞xd	−1/16	11	7⅜	661.6	3.7
FPL	18 13/16xd	----	28	18⅜	3,283	6.7
Fluor	20⅛	+⅜	27	19¼	1,632	1.0
Ford Motor	23⅝	+½	28⅜	15	11,470	2.2
Gen Elect	39⅞xd	+⅝	46¼	39⅜	34,458	2.7
♥General Host	438p	−6	666p	360p	–	4.3
Gillette	25½xd	+1/16	29⅞	23 13/16	5,694	1.5
Hasbro	14	----	16	12⅞	1,208	0.7
Honeywell	34⅞xd	+3/16	43	33 5/16	2,408	2.5
Houston Inds	23¼	----	25	22⅞	3,011	6.8
IBM	50⅞xd	+⅝	64½	46¾	29,035	5.0
Ingersoll-Rand.......h	14	+1/16	19 1/16	13⅛	1,452	2.5
Lockheed	22½	−½	26⅞	22⅜	1,393	4.9
Lowe's.......h	1020p	−11	1273p	615½p	758.3	1.4
Merrill Lynch	28¼xd	+½	39 13/16	24⅜	2,747	2.0
Morgan (JP)	32 1/16	+1/16	37½	28 1/16	6,163	3.6
Morris (Philip)	40⅞xd	−1/16	45 1/16	37 13/16	37,688	2.7
NYNEX	42	−½	44⅝	39⅝	8,591	5.8
For Pacific Agricultural see Cadiz Land Inc						
Pall	18⅞	----	17 13/16	10 3/16	1,217	1.4
Pennzoil	23⅜xd	----	30¾	23⅛	946.2	6.7
Quaker Oats	31 1/16xd	+1/16	40 1/16	28	2,330	2.9
Rockwell	11⅞	----	15 15/16	11½	2,645	4.1
Rep NY	21 9/16xd	−1/16	26 1/16	20⅞	1,121	2.4
Sears, Roebuck	20½xd	+1/16	28	19 1/16	7,070	5.1
Sthwestern Bell	33	−½	35⅞	31⅜	9,905	4.6
Sun Co	13 9/16xd	+1/32	18⅞	13 1/16	1,439	7.1
Tenneco	18⅞xd	+3/32	25 1/16	16½	2,348	4.5
Texaco	33¼xd	+⅛	36⅝	30 13/16	8,595	5.0
Time Warner	58⅞xd	+1/16	62⅛	46½	5,458	0.9
♥Unilab	320p	−30	587p	320p	297.2	–
Utd Tech	26¼xd	+¼	31¾	26⅛	3,253	3.5
For Ullitech see Decora Inds.						
♦URS Intl Ic	0¼p	----	1¼p	0¼p	2.38	–
US West	20 1/16	−1/16	21 13/16	18¾	8,224	5.5
Varity	853p	−37	1058p	633p	212.9	–
Waste Manage	18xd	+⅛	26	17 3/16	8,919	1.3
Whirlpool	1986pxd	−10	2799p	1874p	1,399	2.9
♥Woolworth	13 13/16	+1/16	18¼	13⅞	1,817	4.2

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+or-	1992 high	1992 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	†	157½	—	178	157	3.7	180.9	17.5
Warrants		26	—	38	24	-	-	-
Scot Mortgage		149	—	187	139	3.5	179.1	16.8
Scot National Inc		89½	—	107	83	14.1	-	-
Cap		21	—	42	12½	-	14.6	-43.8
Stepped Pf	†	141½	—	141¼	126	4.9	-	-
Zero Div Pf		187	—	187	186½	-	-	-
Warrants		4	—	9	3½	-	-	-
Scot Value	‡a	82½	—	84	48	3.8	82.3	0.5
Sec Alliance	†	1126	—	1289	1118	4.1	1303.2	13.6
Second Market	s	237	-2	244	222	0.8	283.6	16.8
Sec Tst Scot		65¼	+½	76½	63	6.5	69.9	8.4
Select Assets		86½	—	102½	86½	1.3	125.9	31.3
Eq Ind SerI		118	+1	123	109	4.9	-	-
Eq Ind SerII		118xd	+1	123	109	4.9	-	-
Shires		222	-1	249	195	11.1	215.9	-2.8
11pc Cv Ln '03/04		£104½	—	£110½	295½	18.5	-	-
Siam Select		69	-2	91	69	2.9	88.2	19.5
Warrants		11	-1	21	11	-	-	-
Smaller Cos		78	—	85	67	4.3	86.1	9.4
Warrants		15	—	29	10	-	-	-
Sphere Inc	N	72½	-½	20	12	22.1	18.5	32.5
Zero Div Pf		74¼	—	77¼	65¼	-	-	-
Warrants		0¾	—	3½	0¾	-	-	-
Stratton		148½	—	159	147	1.6	177.3	16.3
Sumit		45	+1	55	36	3.7	109.4	58.8
TR City of Lon	M	113	—	127½	97½	6.6	110.7	-2.1
TR Euro Growth	s	79	+1	98	79	1.7	97.0	19.5
Ptg Sub.	8	44	—	54	43	5.8	-	-
TR Far East Inc	M	88	-1	98	76	6.7	100.8	12.7
Warrants		19	-1	22	12	-	-	-
TR High Inc		181xd	—	118	91	7.8	98.4	-1.6
Sub	0	28xd	-1	35	28	7.7	-	-
TR Pacific	s	81	-1	99	71	8.4	93.2	13.1

MEDIA - Cont.

	Notes	Price	+or-	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
VTR		58	—	65	48	4.24	7.8	14.8
WPP		42	-3	115	36	28.2	-	-
Warrants		3½	—	8½	1½	6.18	-	-
8¼p Cv Pf		32	-1	48	20	68.5	-	-
Watmoughs		459	—	480	391	188.4	3.1	22.6
Yorkshire TV		176	-1	198	152	82.0	9.1	6.2

MERCHANT BANKS

	Notes	Price	+or-	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)		29	—	34	26	54.1	-	-
Badges 8pc Cm 2nd Prf		98	-½	108	83½	12.3	10.9	-
9¼pc Non-Cum Prf		119¼	+½	122¼	103¼	47.7	10.9	-
Brown Shipley		55	-5	204	55	8.77	-	-
Close Bros	†	230	-10	287	230	88.7	5.1	10.3
Hambros		242	—	292	215	417.8	7.6	8.8
7½pc Cv Pf		108	—	118	93	182.8	9.8	-
Joseph (L)		328	-2	333	318	17.2	6.7	-
Kleinwort Benson		258	—	324	212	335.4	8.3	18.3
Rea Bros		28½	-1½	37	28	11.2	2.3	-
Schroders		1280	—	1385	1043	534.4	1.9	14.7
N/V		1005	-5	1158	883	138.8	2.3	12.4
Singer & Fried		38	-1	50	37	73.1	8.8	8.3
Warburg (SG)		459	-1	685	445	984.7	5.2	9.2
8pc Cv Pf		180	-1	204	150	68.1	6.0	-
Wintrust		218	—	263	213	18.6	5.9	8.2

METALS & METAL FORMING

	Notes	Price	+or-	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
ASW		109	-2	165	100	86.7	12.0	18.9

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]						

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	136 3	143 5	+0 1	-
Property Acc. (Gross)	259 7	273 4	+0 1	-
Equity (Gross)	848 5	893 2	-2 5	-
Managed (Gross)	601 5	633 1	-1 3	-
Property Acc. (Net)	124 1	130 6		-
Equity (Net)	197 5	207 9	-0 5	-
Adventurer Managed	91 1	95 9	-0 3	-
Managed (Net)	185 3	195 1	-0 4	-
Cautious Managed	96 4	101 5	-0 1	-
International (Net)	159 0	167 4	+0 4	-
Gilt & Fixed Interest	142 6	150 2	-0 2	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn. – Contd.				
Pension Funds				
Managed Ord	454 6	478 5	+0 3	-
Managed Init.	331 3	348 7	-0 2	-
Equity Ord.	696 8	733 5	-1 4	-
Equity Init.	507 8	534 5	-1 2	-
Pen Ind Lkd Gilt Ord	190 0	200 0	-0 3	-
Pen Ind Lkd Gilt Init.	144 6	152 2	-0 3	-
Overseas Equity Ord	291 4	306 7	+3 3	-
Overseas Equity Init	212 3	223 5	+2 4	-
Property Ord	280 6	295 4		-
Property Init.	204 5	215 3		-
Fixed Interest Ord	293 9	309 4	-0 3	-
Fixed Interest Init.	214 2	225 5	-0 2	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Premium Life Assurance Co Ltd [illegible]

Professional Life Assurance Co Ltd (z) [illegible]

Prolific Life & Pensions Ltd [illegible]

Property Life Assurance Ltd [illegible]

Providence Capital Life Assc. Co Ltd [illegible]

Provident Life Assoc Ltd [illegible]

Provident Mutual Life Assc. Assn. [illegible]

Prudential Assurance Co [illegible]

Prudential Corporate Pension Funds [illegible]

Prudential Individual Life Funds [illegible]

Prudential Individual Pension Funds [illegible]

Reliance Mutual [illegible]

J Rothschild Assurance PLC [illegible]

Royal Heritage Life Assurance Ltd [illegible]

Royal Life Insurance Ltd [illegible]

Royal Liver Assurance [illegible]

Save & Prosper Group (z) [illegible]

Scottish Amicable [illegible]

Scottish Equitable Life Assc. Soc. [illegible]

Scottish Life Investments [illegible]

Scottish Mutual Assurance plc [illegible]

Scottish Provident Institution [illegible]

Scottish Widows' Group [illegible]

Shield Assurance Ltd [illegible]

Skandia Life Assurance Co Ltd (z) [illegible]

Standard Life Assurance Company [illegible]

Sun Alliance Group [illegible]

Sun Life Unit Assurance Ltd [illegible]

Swiss Life (UK) PLC [illegible]

Swiss Pioneer Life Plc [illegible]

TSB Life Ltd [illegible]

Target Life Assurance Co Ltd [illegible]

Teachers' Assurance Company Ltd [illegible]

Templeton Life Assurance Limited [illegible]

Tunbridge Wells Equitable [illegible]

Wesleyan Assurance Society [illegible]

Windsor Life Assur Co Ltd [illegible]

Woolwich Life Assurance Co Ltd [illegible]

Zurich Life Assurance Co Ltd [illegible]

Royal Life Intl. Ltd [illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds [illegible]

Lloyd George Management [illegible]

Newport Investment Management [illegible]

Orion Fund Limited [illegible]

CANADA (SIB RECOGNISED)

GBC Asset Management [illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd [illegible]

Schroder Investment Mngmt (Guernsey) Ltd [illegible]

GUERNSEY (REGULATED**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

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FT MANAGED FUNDS SERVICE

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM 0624 627610						
Intl Grth	5¼	466.8	468.8xd	502.0	+1.3	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
LJ International	5¼	88.80	88.80	95.38	-0.42	–
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662255						
Merc IoM Fund	5	101.3	101.3	108.1	(z)	6.2
Merc Intl Bond	5	50.71	50.71	53.31	(z)	8.6
Sun Life Management (IoM) Ltd						
PO Box 178 Douglas, IoM 0624 622444						
Secure High Income		£1.0556	1.0556	1.1317		7.96
Unibank Scandinavian Fund Ltd						
23 Bucks Road, Douglas, IoM 06246 26484						
Scandinavia Fd	5	–	132.30	141.12	.....	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
ATC Fund Management (SG) Ltd				
SG International	$10.93		+0.04	–
Appleton Financial Advisors Ltd				
Appleton Capital Trust	95.0	100.0	.....	–
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H	$17.36	18.56	.....	–
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Beckman Option & Warrants	0.49	0.57	.....	0.00
Beckman Option & Warrants $	50.94	1.08	+0.07	0.00
Beckman Reserve Assets	107	107	+1.00	2.64
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling	124.0	130.3	.....	5.2
DL International	51.46	1.55	.....	2.2
Equity & Law International Fund Mgs Ltd				
European Equity	156.30	164.50	+0.31	–
Far Eastern Equity	$2.2804	2.4001	+0.0178	–
North Amer Equity	$1.6806	1.7688	+0.0058	–
UK Equity	158.27	166.57	-1.09	–
Global Equity	108.48	114.37	-0.14	–
UK Gilt & Fxd Int	99.84	105.08	-0.23	–
Dollar Deposit	$0.9792		+0.0002	–
Sterling Deposit	£99.88		+0.06	–
Managed Currency	91.10	95.88	-0.16	–
Gartmore Fund Managers (IoM)				
Intl Inc *	15.7	16.7	-0.1	12.0
* Projected Yield				
John Govett Management (IoM) Ltd				
Dlr Geared Cur NAV Jul 10	$17.27		.....	–
Paragon Plus Red Jul 1	£8.90		.....	–
Paragon Stlg Red Jul 1	£10.12		.....	–
SE Asian Wrt NAV Jul 9	$12.37		.....	–
Govett Mgd Ftrs Jul 10	£13.87	15.17	.....	–
Govett Mngd Ftrs Jul 10	$10.12	11.07	.....	–
Mex Horizons Inv Jul 9	$14.76		.....	–
Mex Horizons Inv Wts Jul 9	$7.45		.....	–
Dlr Geared Bd Jul 10	$8.93		.....	–
IBI Global Funds Limited				
Intl Stlg Grth	£17.26	18.18	.....	–
Intl $US Grth	$17.73	18.67	.....	–
High Income Gilt	£24.41	25.31	.....	–
International Equity	£16.86	17.79	.....	–
International Bond	£19.26	19.97	.....	–
Managed Currency	£24.78	25.04	.....	–
Sterling Currency	£25.53	25.79	.....	–
US$ Currency	$37.47	37.86	.....	–
Irish £ Currency	I£14.62	14.78	.....	–
Target International (Isle of Man) Ltd				
SMC Offshore Fd	£8.24	8.90	.....	–
B F Offshore Inc Fd Ltd	£9.78	10.31	.....	–
Bellagio Mules W/W $/S	£9.37	9.79	.....	–
LFM Sterling Fd	£10.34	10.78	.....	–

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
Grafund Currency Funds Ltd						
Intl Managed Bond	5	I£–	21.8528	21.8528	.....	–
Managed Capital Bd	5	I£–	20.5799	20.5904	.....	–
Irish Gilt Fd	5	I£–	212.5837		.....	–
AIB Grafund Currency Fund Limited						
Stlg Mngd Currency	5	£–	10.2611		.....	–
Sterling Currency Fd	5	£–	10.1958		.....	–
Ecu Currency	5	Ecu–	10.1839		.....	–
US Dollar Mngd Curr	5	$–	20.7814		.....	–

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV July 9 C$13.09xd						
First Aust Prime Inc Inv Co Ltd NAV July 9 US$10.97xd						
NAV Diluted to reflect exercise of all Wrrts C$12.78xd US$10.71xd						
Fidelity Investment (CI) Ltd						
Sterling American			£2.468	2.598	-0.001	–
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16.53		(z)	–
Foreign & Colonial Mngt (Jersey) Ltd						
Hypo Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.75		+0.01	–
Sterling Cash			£12.07		+0.01	–
US$ Bonds			$15.15		-0.03	–
Multicurrency Bonds			$20.70		+0.04	–
Sterling Bonds			£13.45		-0.05	–
D Mark Bonds			DM10.58		-0.01	–
Ecu Bonds			Ecu11.65		+0.01	–
UK Equities			£10.04		-0.06	–
US Equities			$16.50		+0.02	–
Japanese Equities			Y593		+0.13	–
Contl Euro Equities			DM16.80		-0.12	–
UK Negative Equities			£13.20		+0.24	–
US Negative Eq			$10.09		-0.02	–
Japanese Negative Eq			Y1058		(z)	–
Cont Eur Negative Eqs			DM–		.....	–
UK Geared Equities			£–		.....	–
US Geared Equities			$10.23		(z)	–
Japanese Geared Eqs			Y–		.....	–
Contl Euro Geared Eqs			DM–		.....	–
John Govett Management (Jersey) Ltd						
Malaysia Emerging NAV July 9			$10.34		.....	–
S'pore Sustan Fd NAV Jul 10			$8.76		.....	–
Paragon Fd NAV Jun 30			$10.34		.....	–
Paragon Redemption			$9.91		.....	–
Hungarian Inv Co Jun 30			103.42		.....	–
For Holborn Fund Mngrs see Prudential Fund Mngrs						
INVESCO MIM International Limited						
All Funds deal daily except where indicated.						
Sterling Denominated Income Funds						
American Equity Inc			£1.437	1.542	+0.003	3.29
Japan Inc & Grth			£1.148	1.231xd	+0.003	2.60
Sterling Denominated Growth Funds						
Capital Deposit			£36.68	36.69	+0.03	–
European Perform			£0.3961	0.4259	+0.0001	–
Far East			£2.100	2.258	+0.007	–
Pioneer Markets			£3.105	3.339	+0.011	–
UK Growth			£1.083	1.165	-0.002	2.38
£ Mng Portfolio			£1.356	1.466	+0.003	–

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Gains for yen and US dollar

THE YEN and dollar recorded gains yesterday against other major currencies, as foreign exchange markets paused for breath ahead of tomorrow's meeting of the Bundesbank council, *writes Peter Marsh.*

The D-Mark ended an edgy but quiet day in European trading narrowly down against both currencies. Sterling continued its recent descent against the D-Mark but at a slower pace, as buying support began to pick up around the DM2.85 level.

Talk of an increase in German rates after the Bundesbank meeting continued to dominate the markets. However, some traders speculated that the central bank might confine itself to action short of a rate rise, a measure which would have a relatively mild effect on the currency markets.

Such theories bolstered the previously sagging dollar, and supported the pound. Mr Mark Brett, a Barclays de Zoete Wedd currency specialist, said: "Few people in the currency markets are prepared to push off into new territory ahead of the Bundesbank meeting."

The yen, which has been a prime beneficiary of the weaker dollar, gained against the D-Mark after a Bank of Japan official was quoted as saying the yen was too weak against the German unit. At the close of London trading, the D-Mark was quoted at DM11.91 per Y1,000, against DM11.83 at the previous close.

The German currency lost ground against the dollar to end at DM1.4900, compared with DM1.4780 on Monday night. Against the yen, the dollar edged forward to Y125.00 from a previous finish of Y124.95. Later in New York the US unit finished at DM1.4855 and Y125.20.

The dollar also gained against the pound, which continued its recent soggy performance. At the close, sterling was quoted at $1.913, as against $1.9295, while in terms of the D-Mark the pound lost ½ pfennig, closing at DM2.85 after at one stage hitting a low of DM2.8464.

Some dealers took the view that the worst for sterling might be over and that, at yesterday's levels, the currency looked cheap. However, news of a 0.6 per cent reduction in UK manufacturing output in May, compared with April, did little to increase the confidence of the markets that a significant economic recovery was about to start.

By the close of European trading, sterling was securely pinned as the weakest member of the exchange rate mechanism, with a divergence to its central Ecu rate of 56 per cent.

Meanwhile, sterling may have received support from comments by Mr John Major, the UK prime minister, that his government will support the pound at its current DM2.95 central rate, even if it means UK interest rates going up. Mr Major made his approach clear in meetings yesterday with other ministers.

£ IN NEW YORK

July 14	Close	Previous Close
£ Spot	1.9190 - 1.9200	1.9290 - 1.9300
1 month	1.13 - 1.11pm	1.17 - 1.16pm
3 months	3.19 - 3.16pm	3.19 - 3.17pm
12 months	11.0 - 10.9pm	10.90 - 10.80

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		July 14	Previous
8.30	am	92.4	92.7
9.00	am	92.4	92.8
10.00	am	92.5	92.8
11.00	am	92.4	92.7
Noon		92.4	92.6
1.00	pm	92.3	92.6
2.00	pm	92.3	92.6
3.00	pm	92.2	92.6
4.00	pm	92.2	92.5

CURRENCY MOVEMENTS

Jul 14	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.2	-19.5
U.S Dollar	60.3	-18.6
Canadian Dollar	98.3	-3.0
Austrian Schilling	111.2	+12.9
Belgian Franc	112.8	-1.1
Danish Krone	111.2	+5.0
D-Mark	120.8	+26.8
Swiss Franc	108.4	+16.4
Dutch Guilder	116.0	+17.3
French Franc	106.1	-10.8
Lira	99.6	-19.4
Yen	140.4	+76.5
Peseta	108.3	-17.9

Morgan Guaranty changes, average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for July 13

CURRENCY RATES

Jul 14	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.752035	0.716467
U S Dollar	3.00	1.44669	1.37562
Canadian $	5.85	1.72532	1.64180
Austrian Sch	7.50	15.1136	14.3656
Belgian Franc	8.50	44.1783	42.0663
Danish Krone	9.50	8.25554	7.85614
D-Mark	8.00	N/A	2.04100
Dutch Guilder	8.50	2.41887	2.30154
French Franc	10¼	N/A	6.89142
Italian Lira	13	1626.46	1546.40
Japanese Yen	3.75	181.126	171.677
Norway Krone	-	8.42191	8.01984
Spanish Peseta	-	136.659	129.930
Swedish Krona	10.00	7.77668	7.40563
Swiss Franc	7.00	1.94797	1.84608
Greek Drach	19	266.036	250.816
Irish Punt	-	0.817605	0.766104

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland † European Commission Calculations. * All SDR rates are for July 13

OTHER CURRENCIES

Jul 14	£	$
Argentina	1.8990 - 1.9020	0.9900 - 0.9910
Australia	2.5690 - 2.5710	1.3385 - 1.3390
Brazil	7021.30 - 7025.35	3660.75 - 3660.95
Finland	7.7870 - 7.8010	4.0625 - 4.0655
Greece	348.150 - 353.700	181.050 - 183.940
Hong Kong	14.8215 - 14.8350	7.7300 - 7.7310
Iran	2738.00*	1435.00*
Korea(Sth)	1507.15 - 1531.45	784.30 - 790.50
Kuwait	0.55250 - 0.55350	0.28840 - 0.28870
Luxembourg	58.55 - 58.65	30.60 - 30.70
Malaysia	4.7855 - 4.7975	2.4970 - 2.4980
Mexico	5755.90 - 5768.50	3114.75 - 3115.75
N Zealand	3.5025 - 3.5060	1.8260 - 1.8280
Saudi Ar	7.1730 - 7.2500	3.7495 - 3.7505
Singapore	3.0880 - 3.0955	1.6115 - 1.6130
S Af (Cm)	5.2590 - 5.2715	2.7460 - 2.7475
S Af (Fn)	7.4775 - 7.5215	3.8985 - 3.9215
Taiwan	47.45 - 47.65	24.75 - 24.85
U A E	7.0235 - 7.1010	3.6715 - 3.6735

*Floating rate. Iran Official rate £121.40 $64.00

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 14	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.930	-2.77	5.74	47
Portuguese Escudo	178.735	175.878	-2.72	5.68	44
D-Mark	2.05586	2.04100	-0.72	3.56	33
Dutch Guilder	2.31643	2.30154	-0.64	3.47	21
Belgian Franc	42.4032	42.0663	-0.79	3.63	28
Irish Punt	0.767417	0.766104	-0.17	2.98	-2
French Franc	6.89509	6.89142	-0.05	2.86	-9
Danish Krone	7.84195	7.85614	0.18	2.62	-18
Italian Lira	1538.24	1546.40	0.53	2.26	-36
Sterling	0.696904	0.716467	2.81	0.00	-55

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9125 - 1.9250	1.9125 - 1.9135	1.13-1.11cpm	7.03	3.17-3.14pm	6.60
Canada	2.2860 - 2.2870	2.2860 - 2.2870	0.93-0.86cpm	4.70	2.69-2.57pm	4.60
Netherlands	3.2075 - 3.2200	3.2100 - 3.2200	¼-parcpm	0.47	⅜-parpm	0.23
Belgium	58.55 - 58.85	58.55 - 58.65	8-2cpm	1.02	11-6pm	0.58
Denmark	10.9550 - 10.9675	10.9575 - 10.9675	½-1½oredis	-1.23	1¼-2⅞dis	-0.78
Ireland	1.0675 - 1.0720	1.0695 - 1.0705	0.01dis-0.02cpm	0.06	0.05dis-0.01pm	-0.07
Germany	2.8445 - 2.8545	2.8475 - 2.8525	¼-parpfpm	0.26	¼-parpm	0.18
Portugal	242.35 - 243.40	242.40 - 243.40	28-107cdis	-3.33	125-279dis	-3.33
Spain	181.15 - 181.45	181.15 - 181.45	36-46cdis	-2.71	104-120dis	-2.47
Italy	2155.00 - 2162.10	2160.25 - 2161.25	9-11liredis	-5.55	25-27dis	-4.81
Norway	11.1720 - 11.1850	11.1725 - 11.1825	¼-⅝oredis	-0.40	¼-1½dis	-0.29
France	9.6025 - 9.6385	9.6125 - 9.6225	¼-¾cdis	-0.31	¼-¾dis	-0.23
Sweden	10.3240 - 10.3350	10.3250 - 10.3350	⅞-1⅝oredis	-1.31	3⅛-4⅞dis	-1.45
Japan	238.65 - 240.05	238.75 - 239.75	1¼-1⅛ypm	5.96	3½-3⅜pm	5.75
Austria	20.04 - 20.08	20.04 - 20.07	1⅜-⅝gropm	0.49	3⅞-1⅞pm	0.56
Switzerland	2.5725 - 2.5825	2.5725 - 2.5825	⅜-¼cpm	1.45	⅞-⅝pm	1.07
Ecu	1.3935 - 1.3950	1.3940 - 1.3950	0.06-0.10cdis	-0.69	0.19-0.24dis	-0.62

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.17-6.12pm. 12 Month 10.96-10.86pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9125 - 1.9250	1.9125 - 1.9135	1.13-1.11cpm	7.03	3.17-3.14pm	6.60
Ireland†	1.7890 - 1.7980	1.7895 - 1.7905	1.07-1.04cpm	7.07	3.01-2.94pm	6.65
Canada	1.1915 - 1.1945	1.1930 - 1.1940	0.22-0.24cdis	-2.31	0.58-0.62dis	-2.01
Netherlands	1.6695 - 1.6805	1.6795 - 1.6805	0.90-0.93cdis	-6.54	2.63-2.68dis	-6.32
Belgium	30.50 - 30.70	30.60 - 30.70	16.50-17.50cdis	-6.66	46.00-49.00dis	-6.20
Denmark	5.6955 - 5.7325	5.7275 - 5.7325	3.88-4.08oredis	-8.34	10.35-11.25dis	-7.54
Germany	1.4780 - 1.4905	1.4895 - 1.4905	0.84-0.85pfdis	-6.81	2.40-2.42dis	-6.47
Portugal	126.20 - 126.75	126.65 - 126.75	109-116cdis	-10.66	323-335dis	-10.39
Spain	94.30 - 94.70	94.55 - 94.65	76-78cdis	-9.77	216-221dis	-9.24
Italy	1121.00 - 1129.75	1129.25 - 1129.75	11.50-12.50liredis	-12.75	32.20-33.50dis	-11.63
Norway	5.8175 - 5.8450	5.8400 - 5.8450	3.48-3.68oredis	-7.35	9.85-10.65dis	-7.02
France	5.0000 - 5.0300	5.0250 - 5.0300	3.05-3.10cdis	-7.34	8.70-8.80dis	-6.96
Sweden	5.3715 - 5.4055	5.3975 - 5.4025	3.75-3.90oredis	-8.50	10.75-11.30dis	-8.17
Japan	124.50 - 125.05	124.95 - 125.05	0.12-0.13ydis	-1.20	0.29-0.30dis	-0.94
Austria	10.4180 - 10.4600	10.4550 - 10.4600	5.75-6.10grodis	-6.80	15.70-16.70dis	-6.20
Switzerland	1.3325 - 1.3475	1.3465 - 1.3475	0.62-0.64cdis	-5.61	1.82-1.85dis	-5.45
Ecu	1.3690 - 1.3775	1.3705 - 1.3715	0.89-0.86cpm	7.66	2.51-2.47pm	7.26

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jul 14	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅛ - 9⅞	10⅛ - 9⅞	10³⁄₁₆ - 10¹⁄₁₆	10³⁄₁₆ - 10¹⁄₁₆	10³⁄₁₆ - 10¹⁄₁₆	10⅛ - 10
US Dollar	3½ - 3¼	3½ - 3¼	3⅜ - 3⅜	3½ - 3⅜	3⅝ - 3½	3⅞ - 3¾
Can. Dollar	5⅝ - 5¼	5⅝ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5½ - 5⅜	5¾ - 5⅝
Dutch Guilder	9⅝ - 9½	9⅝ - 9⁹⁄₁₆	9¾ - 9⅝	9¾ - 9⅝	9⅝ - 9½	9½ - 9⅜
Swiss Franc	7¼ - 7	8 - 7½	8⅝ - 8½	8⅝ - 8½	8¹¹⁄₁₆ - 8⁹⁄₁₆	8⅝ - 8½
D-Mark	9¹³⁄₁₆ - 9¹¹⁄₁₆	9¹³⁄₁₆ - 9¹¹⁄₁₆	9¹³⁄₁₆ - 9¹¹⁄₁₆	9¹³⁄₁₆ - 9¹¹⁄₁₆	9¹³⁄₁₆ - 9¹¹⁄₁₆	9¾ - 9⅝
French Franc	10³⁄₁₆ - 10¹⁄₁₆	10³⁄₁₆ - 10¹⁄₁₆	10¼ - 10⅛	10¼ - 10⅛	10¼ - 10⅛	10⅛ - 10
Italian Lira	15 - 13	15½ - 15	15⅛ - 14⅞	15 - 14½	14⅝ - 14¼	14⅜ - 14⅛
Belgian Franc	9½ - 9⅜	9⅞ - 9⅞	9¾ - 9⅝	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	4¹³⁄₁₆ - 4⅝	4¹¹⁄₁₆ - 4¹¹⁄₁₆	4¹³⁄₁₆ - 4¹¹⁄₁₆	4¹³⁄₁₆ - 4¹¹⁄₁₆	4⅝ - 4½	4½ - 4⅜
Danish Krone	12 - 11½	11½ - 11	11¼ - 10¾	10⅞ - 10⅝	10⅞ - 10⅝	10⅞ - 10⅝
Asian $Sing	1½ - 1¼	1¾ - 1½	2⅛ - 2	2¼ - 2⅛	2⅜ - 2¼	3 - 2⅞
Spanish Peseta	12¼ - 11¹³⁄₁₆	12¼ - 11¾	12⅜ - 12	12⅝ - 12¼	12⅝ - 12¼	12⅝ - 12⅜

Long term Eurodollars: two years 4⅝-4½ per cent; three years 5⅜-5¼ per cent; four years 5⅞-5¾ per cent; five years 6⅜-6¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

July 14	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Pta.	Ecu
£	1	1.913	2.850	239.3	9.618	2.578	3.215	2161.	2.287	58.60	181.3	1.395
$	0.523	1	1.490	125.1	5.028	1.348	1.681	1130	1.196	30.63	94.77	0.729
DM	0.351	0.671	1	83.96	3.375	0.905	1.128	758.2	0.802	20.56	63.61	0.489
YEN	4.179	7.994	11.91	1000.	40.19	10.77	13.44	9031	9.557	244.9	757.6	5.830
F Fr.	1.040	1.989	2.963	248.8	10.	2.680	3.343	2247	2.378	60.93	188.5	1.450
S Fr.	0.388	0.742	1.106	92.82	3.731	1	1.247	838.2	0.887	22.73	70.33	0.541
N Fl.	0.311	0.595	0.886	74.43	2.992	0.802	1	672.2	0.711	18.23	56.39	0.434
Lira	0.463	0.885	1.319	110.7	4.451	1.193	1.488	1000	1.058	27.12	83.90	0.646
C$	0.437	0.836	1.246	104.6	4.206	1.127	1.406	944.9	1	25.62	79.27	0.610
B Fr.	1.706	3.265	4.863	408.4	16.41	4.399	5.486	3688	3.903	100	309.4	2.381
Pta	0.552	1.055	1.572	132.0	5.305	1.422	1.773	1192	1.261	32.32	100.	0.769
Ecu	0.717	1.371	2.043	171.5	6.895	1.848	2.305	1549	1.639	42.01	130.0	1

Yen per 1,000. French Fr. per 10: Lira per 1,000. Belgian Fr. per 100. Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE) [illegible]

CHICAGO [illegible]

THREE MONTH EUROLIRA INT. RATE
LIRA 1,000m points of 100%

	Close	High	Low	Prev.
Sep	85.69	85.73	85.60	85.71
Dec	86.45	86.51	86.41	86.51
Mar	86.99	87.03	86.91	86.99
Jun	87.30	87.33	87.25	87.27

Estimated volume 3217 (2654)
Previous day's open int. 21328 (21014)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Sep	2509.0	2515.0	2472.0	2493.0
Dec	2555.0	2541.0	2541.0	2539.0
Mar	2591.0			2575.0

Estimated volume 8363 (6369)
Previous day's open int. 42957 (43008)

* Contracts traded on APT. Closing prices shown.

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.825	9.55	9.50	9.66	9.80	0.36	1.09	2.05	3.60
1.850	7.14	7.40	7.60	7.88	0.69	1.72	2.85	4.63
1.875	5.06	5.47	5.85	6.30	1.30	2.52	3.88	5.84
1.900	3.35	3.91	4.42	5.02	2.21	3.58	5.14	7.24
1.925	2.13	2.73	3.29	3.92	3.48	5.02	6.65	8.77
1.950	1.26	1.88	2.44	3.02	5.16	6.69	8.29	10.49
1.975	0.68	1.23	1.74	2.31	7.10	8.52	10.14	12.34

Previous day's open int: Calls 224,898 Puts 445,672 (All currencies)
Previous day's volume: Calls 10,038 Puts 17,007 (All currencies)

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth	6-mth.	12-mth.
1.9130	1.9018	1.8814	1.8515	1.7424

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bank	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Heavy futures trade

STERLING futures contracts again traded in a wide range, reflecting fears that UK interest rates might be increased in the wake of tomorrow's Bundesbank council meeting.

However, activity in the cash markets was more subdued. Many traders failed to alter their positions on the future direction of changes in UK borrowing costs, and cash rates were mostly unchanged from the previous night's close.

With more than 45,000 lots changing hands, trading in the September short sterling contract was heavy for the second day running. From an opening price of 89.83, the contract was pushed down at one stage to 89.80. That reflected the sentiment in the market that an increase in UK base rates, now 10 per cent, was likely over the next two months.

Towards the close of trading, dealers took a more circumspect view of the outcome from the Bundesbank meeting. Many believe that it will tighten conditions under which German banks can borrow from the central bank, dampening inflationary pressures caused by unification. Such an action would be in place of a move to raise German interest rates, and would have fewer international repercussions.

As a result, the sterling contract picked up in the afternoon, ending at 89.89, the same level as its Monday close.

In the cash market, the three-month interbank rate, which reflects perceptions about the likely shift in UK base rates, closed unchanged at 10⅛ per cent. Overnight money was quoted at 10⅛ per cent. Most other cash rates ended at the previous night's close of 10⅛ per cent.

As for operations by the Bank of England to meet the estimated £650m liquidity shortage, the discount houses refrained from active participation in the market until relatively late yesterday. This fitted the pattern of recent weeks.

In the morning, faced with lack of enthusiasm by the houses to part with their paper, the Bank bought just £10m of Band 2 bills at the established rate of 9⅞ per cent. Later the Bank bought £8m of Band 1 Treasury bills, £71m of Band 1 bank bills, £50m of Band 2 Treasury bills and £105m of Band 2 bank bills, all at 9⅞ per cent. It provided late assistance of around £230m.

UK clearing bank base lending rate
10 per cent
from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. July 14) 3 months US dollars		6 months US Dollars	
bid 3⅜	offer 3½	bid 3½	offer 3⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4 pm					
Prime rate	6	One month	3.35	Three year	4.81
Broker loan rate	6	Two month	3.21	Five year	5.90
Fed funds	3⅛	Three month	3.28	Seven year	6.46
Fed funds at intervention	-	Six month	3.38	10-year	6.97
		One year	3.56	30-year	7.69
		Two year	4.31		

July 14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.65-9.75	9.65-9.75	9.65-9.75	9.65-9.75	9.75
Paris	9¹⁵⁄₁₆-10	9¹⁵⁄₁₆-10⅛	10-10⅛	10-10⅛	9¹⁵⁄₁₆-10⅛	9.60
Zurich	7⅝-8⅛	8⅝-8⅞	-	8¾-9	-	-
Amsterdam	-	-	-	-	-	-
Tokyo	4⅝-4⅞	4⅝-4⅞	-	-	-	-
Milan	14⅝-14⅞	15⅛-15⅜	-	15⅛-15⅜	-	-
Brussels	9⅛-9⅜	9½-9⅝	-	9½-9⅝	-	-
Dublin	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	-

LONDON MONEY RATES

Jul 14	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	10⅛	10¼	10³⁄₁₆	10³⁄₁₆	10⅛
Interbank Bid	9¾	9¾	10	10¹⁄₁₆	10¹⁄₁₆	10
Sterling CDs	-	-	10⅛	10⅛	10⅛	10
Local Authority Deps.	10	10	10⅛	10⅛	10⅛	10⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10¼	9⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10⅛	10⅛	10⅛	10
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent; Bank Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent; [illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

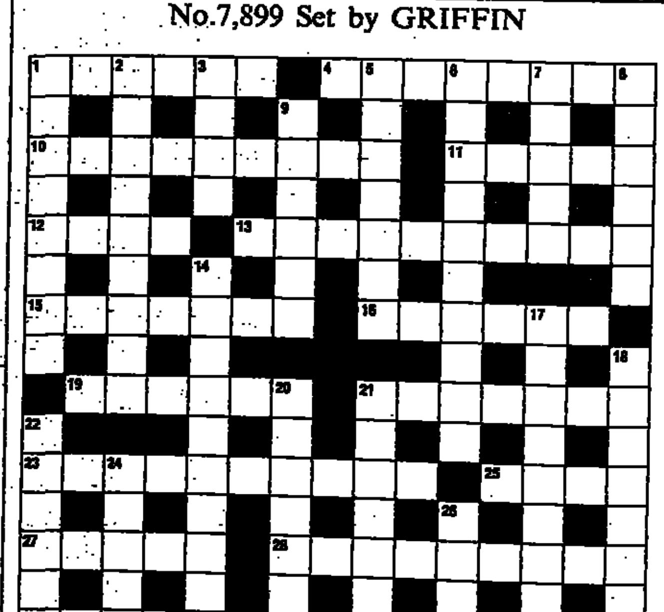
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

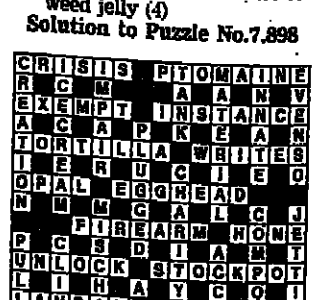
No.7,899 Set by GRIFFIN



ACROSS
1 Extremely dull interior of plant (6)
4 Continues making profit (8)
10 Tenants with very little money in flexible accounts (9)
11 Dismissed ruler is shot (5)
12 Drop Tom round about one (4)
13 Abandoned aeroplane has done its flying (10)
15 Soldiers understand man outside should be saluted (7)
16 Boo its transposition by musician (6)
19 I may revise work admitting sight condition (6)
21 Drunk claimed doctor's examination (7)
23 Apply now, to a clergyman (10)
25 Bottle opener given to French water lover (4)
27 Brown has to leave dance (5)
28 Around midnight kinky Latin man becomes uncontrollable (9)
29 Unusually sharp youth leader takes back party music (8)
30 Man in bed made a beastly noise! (6)

DOWN
1 Finished installing nothing, being unqualified (8)
2 Nuts chain me to railway works (9)
3 Refuse heaps of gratuities (4)
5 Needing rice dish races in, rings teacher up (7)
6 Angry or sad about crucial point (10)
7 Scoffed at, even having five less rings (5)
8 Regular pace is way to travel (6)
9 Fashionable nurse will be mean (6)
14 Under elevated places undoes wheels – it's amazing! (10)
17 Private railway carrying a club official (9)
18 Waved proudly when relative ran off outside (8)
20 Supposed to be vaguely amused about old Bob (7)
21 Rebuilt my keel submissively (6)
22 Overcome teacher (6)
24 Married woman makes divine food! (5)
26 In America gardeners use seaweed jelly (4)

Solution to Puzzle No.7,898



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Jul 14	Jul 13	Jul 10	Jul 9	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3358.39	3337.31	3330.56	3324 08	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	101.17	101.08	101.11	100.94	101.17 (14/7)	98 41 (20/3)	101.17 (14/7/92)	54 99 (1/10/81)
Transport	1311.29	1309.04	1303.25	1301.57	1467 68 (20/2)	1277.65 (26/6)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.58	219.02	218 64	218.08	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3371 89 (3357 58) Low 3315.97 (3315 43)

STANDARD AND POOR'S

	Jul 14	Jul 13	Jul 10	Jul 9	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.68	414.87	414.62	414 23	420 77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	490.19	486 62	485.94	486.00	499.27 (15/1)	470 91 (8/4)	499.27 (15/1/92)	3 62 (21/6/32)
Financial	36 64	36 46	36 65	36.28	36.65 (10/7)	32.40 (8/4)	36.65 (10/7/92)	8.64 (1/10/74)
NYSE Composite	229.51	228.04	227.88	227.55	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	386.08	383 14	382.32	381.84	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	575.20	570.23	567.80	564.75	644.92 (12/2)	547.84 (26/6)	644 92 (12/2/92)	54.87 (31/10/72)

	Jul 10	Jun 26	Jun 19	year ago (approx.)
Dow Industrial Div. Yield	3.13	3.14	3 14	3.08

	Jul 8	Jul 1	Jun 24	year ago (approx.)
S & P Industrial div yield	2.68	2.66	2.72	2.96
S & P Indl. P/E ratio	28.45	28 74	28 14	16 95

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Freeport Mc	2,550,700	21	...
Telefonos	2,501,100	47¾	+ ¾
Am Express	2,243,200	24¾	+ ¼
ADV Micro	2,037,500	8¾	+ ¼
Arkla	1,766,200	10¾	+ ⅞
Coca-Cola	1,683,200	41½	- ⅝
Nicolet	1,665,200	20¼	+ 8½
Waste Man	1,644,500	34⅝	...
Walt Disney	1,615,700	35⅞	+ 1¾
Baker Hughes	1,528,100	22¼	+ 2

TRADING ACTIVITY

† Volume (Millions)	Jul 14	Jul 13	Jul 10
New York SE	194.350	148.820	164.750
Amex	10.792	9 641	8.022
NASDAQ	(u)	132.929	151.505
NYSE			
Issues Traded	2,294	2,298	2,289
Rises	1,094	978	1,004
Falls	637	739	675
Unchanged	563	581	610
New Highs	92	108	108
New Lows	25	21	26

CANADA

TORONTO	Jul 14	Jul 13	Jul 10	Jul 9	1992 HIGH	1992 LOW
Metals & Minerals	3210.36	3203.69	3203.87	3201.46	3238.87 (16/1)	2828.26 (8/4)
Composite	3463 17	3449.23	3447.55	3439.80	3666.00 (16/1)	3318 10 (8/4)
MONTREAL Portfolio	1841.63	1832.71	1832.71	1826.31	1937.59 (16/1)	1727 04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jul 14	Jul 13	Jul 10	Jul 9	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1638 8	1638 9	1644 4	1642.1	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	722.3	721.7	723 8	719 8	726.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	360.97	362.06	369 86	373.50	458.57 (24/2)	360 97 (14/7)
Traded Index (2/1/91)	863 86	868 16	889 07	900 25	1099 43 (24/2)	863.86 (14/7)
BELGIUM						
BEL20 (1/1/91)	1165.19	1166.20	1171.71	1168.08	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	317 81	318 47	318.14	317.34	365.29 (15/1)	316.58 (23/6)
FINLAND						
HEX General (28/12/90)	735 4	741.2	744.3	736.5	935 90 (24/2)	735.40 (14/7)
FRANCE						
CAC General (31/12/82)	(c)	(c)	506.98	502 90	555 93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	(c)	(c)	1859.44	1861 84	2077 49 (11/5)	1749 91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	686.32	687 08	693 85	694.50	725 26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	1941.1	1942.9	1962.5	1963 9	2043 80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1734 10	1736.50	1754 48	1757 64	1811.57 (25/5)	1578 73 (10/7)
HONG KONG						
Hang Seng Bank (31/7/64)	6097 19	6085.85	5981.36	5925.5	6134 75 (1/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1291.47	1283.43	1276 64	1267 03	1469.57 (17/1)	1267 03 (9/7)
ITALY						
Banca Com. Ital. (1972)	447 76	441.05	442.24	433.21	551.59 (6/2)	429.12 (8/7)
MIB General (2/1/92)	880.0	866 0	868.0	850.0	1086.00 (5/2)	842.00 (8/7)
JAPAN						
Nikkei (16/5/49)	17064 63	17201.73	16783 72	16848 66	23801.18 (6/1)	15741.27 (29/6)
Tokyo SE (Topix) (4/1/68)	1294.15	1298 95	1283.58	1284 93	1763 43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1886.78	1893 88	1895 50	1888 91	2459 85 (6/1)	1868.82 (30/6)
MALAYSIA						
KLSE Composite (4/4/86)	617.94	616 08	611.57	603 72	619 06 (20/2)	546 63 (14/1)
NETHERLANDS						
CBS Tot Rtn Gen.(End 1983)	298 4	298 1	300.2	300.3	314.90 (9/6)	274 00 (8/1)
CBS All Shr (End 1983)	203.9	203.7	205 1	205.2	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	663.16	673 14	681.12	671.57	772.74 (18/5)	663.16 (14/7)
PHILIPPINES						
Manila Comp (2/1/85)	1437 79	1444.73	1476.28	1435 52	1580.95 (11/6)	1083 01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	400.63	400 76	401.36	400 63	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1059.0	1055 0	1072 0	1052.0	1327 00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4236 0	4250.0	4284.0	4234 0	4689 00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	527 08	512 54	523.88	523.07	691.48 (8/2)	512.54 (13/7)
SPAIN						
Madrid SE (30/12/85)	234 54	235 75	235 70	235 92	266.51 (28/2)	233.61 (8/7)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	888.1	888 1	897.3	885.1	1014 50 (11/5)	877.50 (8/7)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	833 6	836 4	841 1	835 1	883 40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	631 4	633.0	637 8	633.1	682 30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4307 69	4312.38	4316 79	4337 99	5391 63 (30/1)	4268.17 (11/5)
THAILAND						
Bangok SET (30/4/75)	741.87	734 46	739.13	743 11	832.39 (7/4)	667 84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) ($)	505.9*	506 6	502.6	502.6	542.10 (7/1)	467 50 (8/4)
Euro Top-100 (26/6/90)	897.83	897 53	903 73	901.38	976 55 (25/5)	870.31 (2/1)

**Saturday July 11: Taiwan Weighted Price: 4384.52, Korea Comp Ex 519.50
‡ Subject to official recalculation. *Calculated at 15 00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255 7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks
Tuesday 14 July 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba Corp	5.2m	665	-1	NPN Formula	2.5m	730	+7
Denki Kagaku	3.5m	383	+15	Tokyo Steel	2.4m	3,140	+30
Koa Denko	3.3m	924	+44	Fuji Heavy	2.2m	385	-15
OKI Electric	2.8m	460	+3	Toa Steel	2.0m	1,230	
Taiyo Fishery	2.7m	494	-1	Nippon Kinzoku	2.0m	516	+71

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

4:00 pm prices July 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chg
18¾	10⅛	LA Gear				21362	10¾	10½	10½	-⅛
33	29¼	LG & E En	1.96	5.9	14	411	u33	32⅝	33	+⅛
9⅞	5⅞	LSI Logic				382349	6¼	d5¾	5⅞	-½
8	2½	LTV 5.25				3	2½	d2½	2½	
1½	½	LTV Corp				1 499	½	d½	½	+⅛
1¼	⅝	LTV 1.25				15	⅝	d⅝	⅝	
2	⅝	LTV 3.06				11	⅝	d⅝	⅝	
8¼	1¾	LTV 5.00				z100	2	2	2⅛	+⅛

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
68	49⅞	ScheringPl	1.56	2.8	17	3415	56¼	55⅞	55⅞	−1⅛
65⅞	52¾	Sch'berger	1.20	1.9	18	4454	64	61½	64	+3
37½	20⅞	Schwab(C)	0.24	1.0	13	1894	22⅞	22	22⅞	+1⅛
10⅝	6¾	Schwitzer			37	33	7⅛	7	7⅛	+⅛
25⅞	15¼	SclemAtln	0.16	0.6	16	1017	u25⅞	24⅞	24⅞	−⅝
10⅝	7⅛	Scotman	0.10	1.1	60	269	9	8⅞	9	+⅛
48	34½	ScottPaper	0.80	2.1	52	462	39	38⅞	38⅞	−⅛
17½	13⅝	ScuddrNAsF	0.22	1.4		29	15⅞	15½	15⅞	+⅛
9½	8¾	ScuddrNEuF	0.30	3.2		141	u9½	9⅜	9⅜	−⅛
24	16	Sea Cont	0.70	3.2	10	207	22	21⅝	22	+⅜
15¾	14⅞	SeaCt1.4625	1.46	9.4		10	15½	15⅜	15½	+⅛
31	26⅞	Seagram Co	0.14	0.5	18	2667	28⅝	28⅛	28⅝	+½
28½	21⅝	Seagull En			54	61094	27¼	26	27¼	+1⅛
56⅞	43¾	Sealed Air			25	17	48¼	47	48¼	+1½
22⅞	12⅛	SPX Corp	0.40	1.9	18	298	20⅞	20⅛	20⅞	+⅛
48	37	Sears Roeb	2.00	5.0	10	3119	39¾	39½	39⅝	
12¾	11⅞	Seligm Sel	0.84	6.7		298	u12⅞	12⅝	12⅝	
31⅛	24¾	Sensormat	0.30	1.1	23	281	26⅜	25⅝	26⅛	+½
51	38¼	Sequa A	0.60	1.5	47	32	40⅝	40⅛	40½	
58	45½	Sequa B	0.50	1.0	26	3	50⅛	50	50⅛	−⅞
18¾	15⅜	ServiceCpl	0.40	2.2	16	3164	18¼	17⅞	18¼	+⅞
27¾	22	Servicemr	1.18	4.6	14	196	26¾	25¾	26½	−⅛
28⅞	17	Shaw Ind	0.30	1.2	31	1737	24⅝	23¾	24⅜	+⅝
19¼	8⅞	Shawmut Nt	1.00	5.8	94	1677	17⅞	17⅝	17⅞	+¼
10¼	6⅛	Shelby WH	0.24	3.0	33	z100	8½	8½	8½	−⅜
57⅞	45⅝	Shell Tr&T	2.67	4.5	13	1142	57	55⅞	56¼	+¼

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Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices July 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.60	27	13	12¾	12⅝	12¾	
Pet H&P	1.14	16	10	14⅝	14½	14½	−⅛
Phil LD	0.21	16	252	38½	38¼	38¼	−⅛
Pittway A	1.10	16	22	30½	29⅞	30½	+⅞
Ply Gem	0.12	23	2	11½	11½	11½	+⅛
PMC	0.86	15	4	10½	10½	10½	
PresidioA	0.10	1	85	2	1⅞	2	+⅛
Price Com		0	30	⅞	⅞	⅞	+⅛
RB&W Cp		1	266	4⅛	3⅝	3¾	−⅛
RiedelEnv		2	140	5½	5⅛	5¼	−⅛
SJW Corp	1.96	9	21	33¼	32¾	33¼	+⅛
SthnUnion		22	2	14⅛	14⅛	13⅞	
Stort El		13	21	4⅛	3⅞	4	−⅛
TII Ind		2	40	1¾	1¾	1¾	
Tab Prods	0.40	40	88	10¾	10⅝	10⅝	
Tel&Data	0.32	43	234	33⅝	33	33½	
Thermedics		106	44	7⅞	7⅞	7⅝	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Bowmar		13	z100	1⅝	1⅝	1⅝	
Bowne	0.26	11	463	16⅞	15½	15⅝	
Brascan A	0.86	27	7	13¾	13⅝	13¾	+⅛
BSN Corp	0.15	11	74	6⅜	6½	6⅝	+⅛
Cal Engy		16	160	12¾	12⅝	12¾	
Calprop		0	10	2	2	2⅛	
Can Marc	0.24	13	8	13¾	13¾	13½	−⅛
Chmbrs A		8	2635	7¼	6⅞	7	−⅛
Chambers		9	24	7⅝	7½	7½	−⅛
Champion		43	69	4⅛	3¾	3⅞	−⅛
Chiles		0	50	1	1	1⅛	
Giant FdA	0.66	15	371	20⅜	20	20⅞	−⅛
Glatfltr x	1.40	15	118	24⅜	23⅜	23⅜	−½
Goldfield		2	68	⅝	⅝	⅝	−⅛
Greenman		5	65	6⅜	6¼	5⅝	
Gulf Cda	0.34	9	22	4⅞	4¾	4⅞	+⅛
Hasbro	0.20	26	3008	27	26½	26⅞	−⅛
Health Ch		8	11	1⅝	1⅝	1⅝	
Healthvst		250	23	2½	2⅜	2½	+⅛
Heico Cp	0.15	17	160	13⅞	13⅛	13⅞	
Hillhaven		3	266	2⅜	2¼	2⅜	
Nat Pent		2	16	3⅝	3½	3½	
New Line		18	110	11⅞	10⅞	11¾	+⅞
NY TimesA	0.56	38	477	28⅛	27⅞	27⅞	−⅛
NthCanOil	0.18	98	68	12	11¾	11⅞	+⅛
Numac O&G		2	37	4⅛	4	4⅛	+⅛
NV Ryan		0	165	⅝	⅝	⅝	+⅛
Odetics A		281	5	5⅝	5⅝	5⅝	
Olsten	0.24	26	66	27⅝	26¾	26¾	−⅞
OMI Corp	0.14	7	20	6	d6	6⅝	
Pall Corp t	0.36	27	795	28½	28⅛	28½	+0.36
Pegasus G	0.10	42	1395	u18⅛	15⅝	16	+½
UnivPtnts		36	33	11⅞	11½	11⅝	
US Cellul		63	71	19⅞	19⅝	19⅝	−⅛
Vivigen		33	4	14¾	14½	14½	−⅛
WangLab C		1	6	5	5	5⅝	+⅛
WangLab B		1	463	3⅞	3¼	3¼	
Weatherfd		15	980	5⅛	4⅞	5⅛	+⅛
Wellsmr x	0.52	10	40	22⅛	21⅞	22⅛	+¼
WIRET	1.12	18	128	12⅞	12½	12⅞	+⅛
Worthen	0.05	9	51	21½	21⅛	21¼	
Xytronix		9	25	9	8⅞	9	+⅛

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NASDAQ NATIONAL MARKET

4:00 pm prices July 14

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
A&W Brands	0.44	21	404	34¾	33¼	34¾	+1
ACC Corp x	0.16	74	12	16	14½	14⅞	+⅛
Acclaim E		16	1339	6¾	6⅜	6¾	+⅛
Acme Met			85	16⅜	14½	15½	+¼
Acxiom Cp		38	204	17⅞	17	17⅛	
Adaptech		33	2688	23⅛	22⅞	23⅛	
ADC Tele		26	398	31¾	31	31¾	+¼
Addington		73	2663	u13⅛	12½	13¼	+⅛

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Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		24	4721	22⅛	21⅛	21¾	+1
Xoma Corp		7	704	13½	13	13	−⅛
Yellow Fr	0.94	20	678	25⅛	24½	25⅛	+½
York Rsch		4	523	4¾	4⅝	4¾	+⅛
ZionsUtah	1.44	10	476	56¼	53¾	53¾	−⅛

AMERICA

Oils lead late surge on rise in crude prices

Wall Street

AFTER trading in a narrow range for most of the day, a surge of late buying, linked to higher crude oil prices, lifted US equities across the board, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was ahead 21.08 at 3,358.39. The more broadly based Standard & Poor's 500 moved in similar fashion, gaining 2.81 at 415.29, while the American SE composite put on 2.94 to 356.08 and the Nasdaq composite added 4.99 at 575.21.

Turnover on the New York SE was a fairly substantial 194m shares, while advances outpaced declines by 1,077 to 645.

The morning's economic figures provided no surprises, a source of relief to the market, which had suffered from statistical shocks in recent economic reports. The consumer price index rose 0.3 per cent in June, confirming that inflationary pressures remained dormant in the economy, while retail sales increased by 0.5 per cent last month, slightly below forecasts and indicative of the sluggish state of consumer demand.

Stock market sentiment had earlier been troubled by a rise in long-term bond yields which, if sustained, could threaten to negate some of the positive effect of the recent discount rate cut by the Federal Reserve. Share prices bounced in late trading, however, after oil issues took off in the wake of higher crude oil prices.

Leading the late surge were Chevron, up $1¾ at $70, Texaco, $1 higher at $64⅞, BP, $2¼ stronger at $49¾, and Occidental, $¾ ahead at $20⅛.

Financial shares were also in demand following some good quarterly earnings reports. Merrill Lynch appreciated $⅞ to $52¾ on news of second-quarter profits of $227.7m. PaineWebber put on $¼ to $22⅜ on earnings of $45.7m and Primerica, parent of broking house Smith Barney, added $1⅝ at $40⅞ after the group reported net income of $150.5m for the April-June period.

Coca-Cola receded $½ to $41½ in turnover of 1.3m shares, although the soft drinks group reported second-quarter net income of 44 cents a share, up from 36 cents a share a year ago and in line with expectations. The selling was attributed to profit-taking by investors and dealers who had bought the stock in anticipation of good quarterly figures.

Honeywell eased $⅞ to $65⅝ after announcing net income of $85m for the second quarter, up 10 per cent from a year ago but boosted by one-off litigation settlement gains.

Constar rose $1 to $21⅛ on news that broking house Bear Stearns had upgraded its 1992 earnings forecast by 10 cents to $1.60 a share and for 1993 by a similar amount to $1.85 a share.

Fabri-Centers dropped $3¼ to $12⅞ after the company warned that it would incur a loss of about 85 cents a share in the second quarter. The company immediately announced plans to reduce its workforce and cut some salaries.

Canada

TORONTO share prices ended higher after fairly busy trading. The TSE 300 index gained 13.9 at 3,463.2, while rises led declines by 304 to 256 after volume of 30,104,000 shares.

Today's volume was boosted by a 5m-share block of Telus Corp which was crossed just at the close.

The transportation group fell 4.18 per cent as the sub-group's most heavily weighted components, Laidlaw "A" and "B" shares each fell C$¾ to C$11⅞ and C$11¾ respectively. Laidlaw said that it was not aware of any corporate developments that would account for the decline in its share price.

Overall, 11 of the 14 sectors closed higher. Golds gained 2.32 per cent.

ASIA PACIFIC

Nikkei stays above 17,000 in spite of profit-taking

Tokyo

PROFIT-TAKING after Monday's strong gains depressed share prices in thin trading yesterday, but the Nikkei average managed to remain above the 17,000 mark, *writes Emiko Terazono in Tokyo.*

The 225-issue average closed 137.10 down at 17,064.63. The index reached a high of 17,258.73 in the morning session on small-lot buying, falling to the day's low of 16,961.76 in the afternoon.

Turnover picked up slightly to 200m shares from 193m. Daily average volume for the first half of this year has fallen to 263m shares, down about 75 per cent from its peak of 1bn shares in 1988.

Declines led advances by 543 to 345, with 199 issues unchanged. The Topix index of all first section stocks lost 4.80 to 1,294.15, and in London the ISE/Nikkei 50 index slipped 2.30 to 1,020.63.

Share prices moved in parallel to the futures market, which fluctuated on short-term trading by institutional investors. Traders said institutions were selling the futures contracts short and buying back at lower levels. "Some domestic institutions are taking profits on small-lot purchases made at lower levels, but other than that, there is not much incentive to do anything," commented Mr Masami Okuma at UBS Phillips & Drew.

Late afternoon reports that Mr Kiichi Miyazawa, the prime minister, had commented that a further easing in monetary policy was unnecessary prompted light selling. Traders, however, were comforted by the fact that the Nikkei was well supported around 17,000.

Toshiba, the most active stock of the day, ended Y1 easier at Y665. It initially rose on reports of the company's joint development of advanced semiconductor devices with International Business Machines, of the US, and Siemens, of Germany, but later retreated on profit-taking.

Nippon Credit Bank weakened Y120 to Y5,380 on reports of large outstanding bad debt at its non-bank financial affiliates. Other banking issues were unaffected by the news: Sumitomo Bank firmed Y10 to Y1,400.

Electric furnace steel makers were higher on hopes that inventory adjustment for H-shaped beams was under progress. Tokyo Steel gained Y30 to Y3,140 on speculation that the company may revise its earnings estimates upwards for the current year. Toa Steel was also actively traded but closed unchanged at Y1,230.

Oil issues lost ground on fears that weakening demand for oil products as a result of the economic slowdown would lead to lower profits. Showa Shell Sekiyu, a leading oil refiner, fell Y50 to Y1,140.

In Osaka, the OSE average declined 67.36 to 19,531.81 in volume of 9.1m shares.

Roundup

SPECULATION in Seoul and Bangkok, and improving economic fundamentals in New Zealand, produced the leading gains in the region yesterday.

SEOUL staged a rebound after a two-week downtrend, on speculation that the government would bring in measures to boost the market. The composite index rose 14.54 to 527.08 and, while turnover remained slow, it recovered from Won107.4bn to Won136.2bn.

Big manufacturing stocks led the recovery after their fall to 1992 lows. Yukong, the country's largest oil company, advanced by its upper limit of Won1,000 to Won23,100.

NEW ZEALAND moved on an inflation rate of just 1.0 per cent for the 12 months to June 30, which extended the decline in domestic bond yields and left the NZSE-40 index 15.73 higher at 1,582.08 in turnover up from NZ$22.1m to NZ$39.3m.

Lower bond yields created buying interest in high-yielding stocks such as Telecom, the national telephone company, which rose 8 cents to NZ$2.20 in heavy volume. Brokers linked the renewed activity in the stock to buying from the US, where Telecom is traded in ADR form.

BANGKOK speculators flocked into the market in the afternoon in search of finance and property issues. The SET index gained 7.41 to 741.87 in turnover of Bt6.29bn. Hemaraj Land and Development, which made its market debut on Friday, hit its 10 per cent upper limit with a rise of Bt10 to Bt119 in turnover of Bt537.6m.

HONG KONG registered its third consecutive rise in active trading, although its final gain was of token quality after an afternoon wave of profit-taking. The Hang Seng index ended 11.34 higher at 6,097.19 in turnover up from HK$3.635bn to HK$3.74bn.

Follow-through buying of HSBC and Cathay Pacific led the market up, the former climbing 50 cents to HK$52.50 after Monday's HK$3 spurt, and Cathay by a further 40 cents to HK$13.00.

Johannesburg shivers in political chill

The JSE is keeping a nervous eye on the ANC's popular campaign, says **Philip Gawith**

SOUTH Africa's recent political tribulations have blown a chill wind over the Johannesburg Stock Exchange (JSE), which is keeping a nervous eye on the African National Congress's (ANC) mass action campaign in an effort to discern what sort of future faces the country.

The timing of last week's market fall followed comments from Mr Nelson Mandela, the ANC leader, making clear that there would be no quick return to the negotiating table following the collapse of constitutional talks last month.

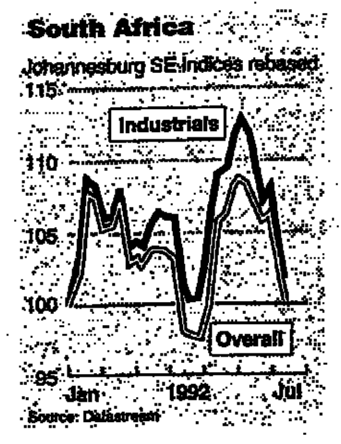
Until that point, the market had tended to assume that it was witnessing a lovers' quarrel rather than parties seeking a separation. Like most people, it had been duped into believing that the government and the ANC were close to a settlement, whereas it is now clear that they remain deeply divided on fundamental issues.

The overall index slipped by 5.4 per cent to 3,483 between July 3 and last Friday. Over the same week the industrial index lost 4.8 per cent, having earlier been down by 6 per cent; gold shares declined marginally.

This week, the overall index began by shedding a further 1 per cent, or 35 points, on Monday, and declined 15 points to 3,432 yesterday. The industrial index fell 24 points yesterday to 4,226.

One beneficiary of the JSE's misfortunes has been the capital markets, where rates on the Eskom 168 and government R150 bonds fell last Friday to 2½-year lows. The wave of buying here reflects the view that bonds are the only asset that will perform in the current political climate.

Mr Charles Booth, research director at stockbroker J.D. Anderson, says the direction of the equity market from here will be determined by politics. If the mass action campaign really bites, he believes that the market could well go lower. If it turns out to be a damp squib then it will probably stay at current levels. "I cannot see it going up until all parties are back at the table and talking," he adds.



Mr Graham Boyd, an economist at stockbroker Simpson McKie, cautions, however, that reading the politics right in South Africa has often meant getting the market wrong. While the JSE is focused on politics now, it could shift back to more traditional fundamentals. Here there is little cause for optimism.

The date for an economic recovery to commence is being pushed back all the time and there is consensus that 1993 will be a year of decline in GDP.

Last week's correction eliminates the unexpected rally which took place during May and June, leaving prices where they were three months ago. While the market is still perceived to be in high territory, Mr Booth says research done at his firm, putting their own fair value on leading industrial companies, suggests that the market is only overvalued by about 4 per cent – assuming a reasonable economic recovery next year.

Mining shares have, in general, caught a cold along with the rest of the market. Although metal prices have been a bit firmer recently, the stronger commercial rand has had a dampening effect on gold, platinum and coal share prices.

Although, at this stage, the market looks more likely to go down than up, there are two bull factors to be considered. One is the downward trend in interest rates, with at least one more rate cut expected this year. The other is the healthy state of the gold and foreign exchange reserves, which traditionally lend support to the JSE.

Neither should that ephemeral creature, confidence, be left out of the equation, especially in a country where exaggerated swings in sentiment are part of the landscape. Should the South African rugby team manage to achieve back to back defeats over the All Blacks and the Wallabies in a month's time, old hands would not be found betting against a rise in the market.

EUROPE

Economists wrestle with Bundesbank riddle

WHAT the Bundesbank could do to interest rates tomorrow in its battle to curb German money supply left the continent's equity markets stultified, once again, yesterday, *writes Our Markets Staff.*

Economists wrestling with the options open to Buba have tended to decide that it will either do nothing, increase the discount rate (but not the Lombard rate) or directly reduce the amount of money that it supplies to the Germany banking sector. "Either move", said UBS Phillips & Drew this week on the latter two options, "would be likely to put pressure on banks' lending rates, but would not influence interbank money market rates."

Mr David Deakin of Nikko Bank (UK) said pointedly that high interest rates have sucked in the money market deposits which contributed to the offending German M3 figure. "If the Bundesbank imposes further tightening this week," he added, "... it will compound the felony by making German interest rates even more attractive to the international depositors who already swell the M3 figure with their cash."

FRANKFURT ended narrowly mixed, the DAX index easing 2.40 to 1,734.10 after a decline of 0.76 to 686.32 in the FAZ at midsession. Turnover rose from DM3.9bn to DM4.2bn.

Among individual stocks, Degussa, whose exposure to the lower dollar is a matter of argument between its detractors and its fans, fell DM5.20 to DM324.50 marks. Another loser was Allianz, the insurer, which fell DM21 to DM2,219 on the break of a key technical chart point.

Other fallers included Mannesmann, where there were profits to take, down DM3.50 to DM286.30; AMB, down DM10 to DM865 on news that its chairman will be replaced next month; and Asko, down DM11.50 at DM716 in sympathy with poor figures, and a share price slump at its Swiss-based Adia subsidiary.

The mood of the day was generally short of enthusiasm. This was reflected in the shipbuilder, Bremer Vulkan, which tried for approval with a 113 per cent jump in group net profits for 1991 despite a 13% decline in sales, seemed to get it initially with a DM3 rise to DM92.30 but eventually closed unchanged at DM89.30.

FT-SE Eurotrack 100 - Jul 14

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1123.92	1124.42	1124.21	1123.72	1123.66	1123.95	1123.42	1124.22

Day's High 1125.41 Day's Low 1123.18

Jul 13	Jul 10	Jul 9	Jul 8	Jul 7
1121.63	1129.14	1128.17	1121.53	1129.83

Base value 1000 (26/10/90).

MILAN rose on short-covering ahead of the close of the July trading account today but closed off the day's highs. Stocks which go ex dividend on Thursday remained in demand. The Comit index rose 6.71 or 1.5 per cent to 447.76 in turnover estimated at near Monday's L82.9bn.

Among industrial blue chips, Fiat rose L139 or 2.7 per cent to L5,260 while Montedison gained L30 or 2 per cent to L1,440. Olivetti was also firmer, adding L68 or 2.3 per cent to L3,065. James Capel has downgraded its estimates for the computer company because it believes that there is still no evidence that the bottom of the information technology cycle has been reached. The broker now expects it to remain in the red in 1992 with a loss of L100bn, having previously expected a return to profit, of L12bn.

ZURICH extended its preoccupation with second-liners, the temporary employment group, Adia, topping the active list as it fell SFr42 to SFr216 for a cumulative drop of SFr120, or 36 per cent since early last week on a poor outlook for profits.

The SMI index of leading shares closed 6.4 lower at 1,835.1. Second on the active list was a recent high-flyer, the watchmaker, SMH, which fell SFr15 to SFr1,330 on profit-taking.

MADRID went into reverse again, but closed above its worst with the general index down 1.21 to 234.54 against an intraday low of 233.31. Construction stocks led the way down, reflecting the sector's vulnerability to cuts in public spending and featuring a Pta420 drop to Pta6,060 at Cubiertas, Pta55 to Pta1,415 at Dragados and Pta48 to Pta782 for Uralita.

OSLO fell 1.7 per cent to a new 1992 low in thin trading, led down by shipping shares on renewed pessimism about chances for higher chartering rates. The all-share index closed 6.75 weaker at 384.30 in turnover worth NKr109m. The shipping index closed almost 3 per cent weaker, with Bergesen A shares falling NKr4 to NKr91.

TEL AVIV rallied in active trading, buoyed up by confirmation of Prime Minister Yitzhak Rabin's new government. The blue chip shares index rose 2.21 or 1.5 per cent to 155.15 in turnover of Shk139m.

AMSTERDAM was slightly firmer but trading was very thin as investors stuck to the sidelines ahead of the Bundesbank's meeting on Thursday. The CBS Tendency index rose 0.4 to 121.3.

VIENNA's decline was exacerbated by a weaker futures and options market, as the ATX index went as low as 830.19 before rebounding to end 1.21 down at a record closing low of 863.86.

● Paris remained closed for the Bastille holiday and will re-open today. Metrologie Internationale, the electrical equipment distributor indirectly controlled by Paribas, said its shares will be suspended today ahead of the announcement of a major asset sale.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 14 1992								MONDAY JULY 13 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	145.09	+0.1	112.44	114.64	112.39	129.19	+0.0	4.22	144.93	111.36	114.47	111.37	129.22	153.68	140.94	144.79
Austria (19)	165.43	−0.1	128.21	130.72	128.15	127.75	+0.0	2.29	165.55	127.21	130.76	127.21	127.69	186.70	162.48	178.36
Belgium (42)	148.80	−0.4	115.32	117.56	115.26	112.47	−0.1	5.47	149.38	114.78	117.97	114.78	112.54	149.38	135.87	126.20
Canada (115)	129.15	+0.3	100.09	102.04	100.04	111.61	+0.4	3.18	128.71	98.90	101.66	98.90	111.19	142.12	124.32	139.97
Denmark (35)	245.03	−0.9	189.90	193.61	189.81	190.96	−0.3	1.84	247.15	189.90	195.21	189.91	191.52	273.94	226.81	249.59
Finland (15)	76.86	−3.2	59.57	60.73	59.54	65.55	−3.0	2.15	79.41	61.02	62.72	61.02	67.56	89.80	73.64	94.08
France (104)	163.81	−0.7	126.95	129.42	126.88	129.18	+0.0	3.62	165.04	126.81	130.34	126.81	129.18	168.75	148.06	126.01
Germany (65)	127.95	−0.9	99.16	101.11	99.11	99.11	−0.1	2.32	129.14	99.23	102.01	99.23	99.23	129.32	114.67	105.72
Hong Kong (54)	256.96	+0.3	199.15	203.04	199.07	255.03	+0.3	3.19	256.26	196.91	202.40	196.92	254.34	259.55	176.36	167.41
Ireland (16)	161.65	+0.4	125.28	127.73	125.22	127.25	+1.0	4.26	160.96	123.68	127.13	123.68	126.00	173.71	151.78	144.32
Italy (73)	69.72	+0.5	54.03	55.09	54.01	58.81	+1.5	3.55	69.35	53.29	54.77	53.29	57.97	80.86	66.03	71.09
Japan (473)	101.79	−0.4	78.89	80.43	78.86	80.43	−0.4	1.06	102.25	78.57	80.76	78.58	80.76	140.95	88.70	129.59
Malaysia (69)	250.47	+0.1	194.11	197.90	194.02	240.92	+0.1	2.60	250.33	192.35	197.71	192.35	240.78	250.47	212.49	224.99
Mexico (18)	1440.78	+1.7	1116.61	1138.42	1116.10	4907.36	+1.6	1.22	1416.91	1088.72	1119.11	1088.76	4827.99	1789.77	1355.22	1136.61
Netherland (25)	165.34	−0.6	128.14	130.64	128.08	126.78	+0.1	4.42	166.34	127.81	131.38	127.82	126.60	166.34	147.88	134.10
New Zealand (14)	47.74	+1.2	37.00	37.72	36.98	46.32	+1.1	4.90	47.18	36.25	37.27	36.26	45.82	48.52	42.01	48.28
Norway (23)	169.64	−2.3	131.48	134.05	131.42	134.53	−1.8	1.88	173.65	133.43	137.16	133.44	137.00	192.95	161.26	192.77
Singapore (38)	220.20	−0.3	170.66	173.99	170.57	163.60	−0.2	2.03	220.85	169.70	174.44	169.70	163.96	229.63	192.76	191.83
South Africa (61)	201.23	+0.2	155.95	159.00	155.88	171.97	−0.5	3.00	200.60	154.29	158.60	154.29	172.82	263.60	197.04	252.82
Spain (49)	151.25	−1.1	117.22	119.52	117.17	108.40	−0.7	5.42	152.96	117.53	120.81	117.53	109.21	161.72	146.86	143.80
Sweden (29)	193.52	−0.6	149.98	152.91	149.92	154.70	+0.0	2.63	194.64	149.56	153.74	149.57	154.66	200.28	173.09	191.82
Switzerland (63)	111.64	−1.2	86.52	88.22	86.49	93.23	−0.4	2.30	113.04	86.86	89.29	86.88	93.60	113.51	95.99	90.64
United Kingdom (228)	189.22	−0.7	146.65	149.50	146.56	146.64	+0.2	5.06	190.54	146.41	150.48	146.40	146.41	200.07	165.85	167.51
USA (522)	169.97	+0.6	131.73	134.30	131.67	169.97	+0.6	2.94	168.89	129.77	133.40	129.78	168.89	171.66	160.92	154.45
Europe (791)	153.59	−0.7	119.03	121.36	118.98	119.58	+0.1	4.05	154.69	118.86	122.18	118.87	119.50	156.88	139.31	132.88
Nordic (102)	179.82	−0.9	139.36	142.08	139.30	137.15	−0.3	2.29	181.40	139.38	143.27	139.39	137.55	188.62	169.66	184.91
Pacific Basin (717)	108.43	−0.4	84.03	85.68	84.00	87.01	−0.3	1.41	108.82	83.61	85.95	83.62	87.30	141.97	94.40	130.95
Euro – Pacific (1508)	126.70	−0.5	98.19	100.10	98.14	100.48	−0.1	2.70	127.38	97.87	100.60	97.87	100.61	145.21	113.80	132.05
North America (637)	167.40	+0.6	129.74	132.29	129.70	165.99	+0.6	2.95	166.36	127.83	131.41	127.86	164.96	169.69	158.70	153.47
Europe Ex. UK (563)	131.84	−0.7	102.18	104.19	102.15	103.83	+0.0	3.32	132.81	102.05	104.92	102.08	103.85	132.81	121.81	112.21
Pacific Ex. Japan (244)	173.84	+0.2	134.72	137.38	134.68	154.88	+0.1	3.46	173.53	133.34	137.08	133.36	154.68	175.31	149.00	144.41
World Ex. US (1702)	128.39	−0.5	99.50	101.45	99.46	102.79	−0.1	2.71	129.00	99.12	101.89	99.13	102.91	146.91	116.45	134.19
World Ex. UK (1996)	136.92	+0.1	106.12	108.20	106.08	121.07	+0.2	2.51	136.84	105.15	108.09	105.16	120.84	150.58	127.21	137.38
World Ex. So. Af. (2163)	141.09	+0.0	109.35	111.50	109.31	122.98	+0.2	2.80	141.14	108.45	111.48	108.46	122.74	153.05	130.04	139.27
World Ex. Japan (1751)	163.65	+0.1	126.83	129.32	126.79	148.19	+0.4	3.36	163.47	125.60	129.12	125.63	147.83	165.40	153.20	146.88
The World Index (2224)	141.44	+0.0	109.62	111.76	109.57	123.44	+0.2	2.80	141.48	108.71	111.75	108.72	123.21	153.70	130.86	140.02

French market closed July 14.

FINANCIAL TIMES SURVEY

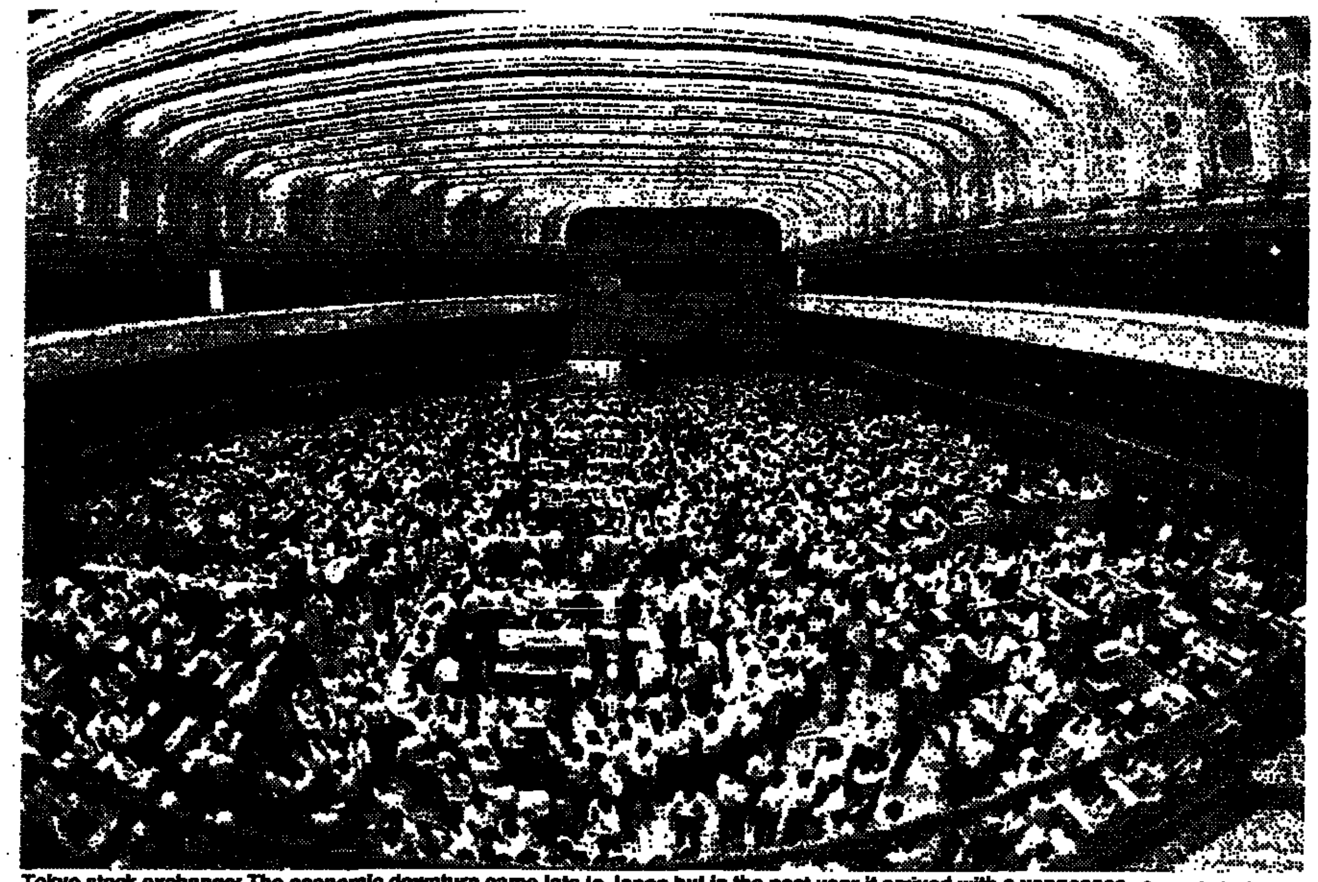
JAPAN

SECTION III

Wednesday July 15 1992

Japan is gripped by serious doubts over its economy and confused and uncertain about its role in the world. But even in bad times the Japanese economy still continues to out-perform those of the US and Europe. **Stefan Wagstyl** investigates

Doubts and confusion


Tokyo stock exchange: The economic downturn came late to Japan but in the past year it arrived with a vengeance *Picture Ashley Ashwood*

MR KIICHI MIYAZAWA, Japan's prime minister, played his part well at last week's Munich summit of the Group of Seven industrialised countries. With his quick mind and fluent command of English, he did his country proud.

But behind Mr Miyazawa's polished performance is a country gripped by serious doubts over its economy, and confused and uncertain about its role in the world. These concerns are coming to the fore in the campaigns now under way for national elections to be held on July 26 for seats in the Diet's upper house.

Many Japanese fear that the recent collapse of land and stock prices could herald a long slowdown for the whole economy. The worldwide economic downturn has come late to Japan but in the past year it has arrived with a vengeance. Economic growth, which remained at a healthy 3.5 per cent in the year to March 1992, could fall to below 3 per cent in the current financial year ending in March 1993.

The effects of this slowdown are rippling around the world. Economic growth has declined, but so, too, has the growth which was previously taking place in imports. As a result Japan's trade surplus has surged from $52bn in 1990 to a likely $100bn plus in 1992.

Meanwhile, the turmoil in Tokyo's financial market has undercut Japanese investors' capacity to invest overseas – after exporting record amounts of capital in the 1980s, Japan last year became a net capital importer.

The government is considering economy-boosting measures, including extra public spending of about Y6,000bn. But there are doubts in Tokyo about whether this will prove sufficient. There are fears that – as well as a severe short-term cyclical down-swing in demand – the economy faces unsettling long-term structural changes. As Mr Ichiro Ozawa, a leading member of the ruling Liberal Democratic Party and possible future prime minister, said recently: "I see the Japanese economy facing quite a serious structural recession. In many ways we have enjoyed very good economic conditions in the past. But it is impossible to continue behaving in the same way in the future."

The mood in Tokyo is so grim that Japan's strengths are being forgotten. The truth is that in bad times as in good, the Japanese economy continues to out-perform the US and Europe.

Companies in key industries, including steel, machine tools, motors and electronics, are under pressure. But their foreign competitors are also suffering. Even in a slowdown, Japanese companies are loath to cut research and development spending or capital investment. They do not sack their employees, except as a last resort. While demand for recruits has eased in the past year, vacancies still outnumber job-seekers by about 20 per cent.

Nevertheless, companies face some difficult challenges. They must adjust to the fact that the high-speed growth of the 1980s was, in retrospect, something of an aberration. The outlook is for slow growth, in which costs will be restrained and expansion plans considered for their contribution to profits as well as to sales. Capital costs have soared due to the difficulty of raising stock market funds. Banks, burdened by bad debts, will find it harder to lend than in the past, thus creating a potential shortage of credit.

On the demand side, companies cannot look to exports for salvation because of rising protectionist sentiment in the main export markets of the US and Europe. At home, Japanese consumers could eventually generate a huge surge in demand – if they were allowed to spend as freely as westerners.

Unfortunately, the job of liberalising Japan's tightly-regulated post-Second World War economy is not yet finished. The rules still favour producers at the expense of consumers. For example, food prices are kept artificially high to protect farmers. As a result, Japanese must spend more than 30 per cent of their disposable income on food compared with about 20 per cent for Americans and Germans. So the Japanese have less available for other goods and services.

Mr Miyazawa's government recently published a five-year plan which puts a priority on improving the consumers' lot. There is no doubt about the sincerity of Mr Miyazawa's intentions. But his scope for action is limited by his lack of political clout inside the ruling Liberal Democratic party. Also, the authority of the party itself has been undermined by financial scandals and by a constant need to do deals with opposition parties to secure the passage of legislation.

After nearly 40 years in office, the Liberal Democratic party's ageing leaders see little need to take risks. They are not willing to ride rough-shod over the interests of their supporters who are often, like farmers, prime beneficiaries of the economic status quo.

As Mr Ozawa said in a recent press conference: "Japanese people... have not really got out of their old ways of living and thinking. Change will require a great deal of effort."

The LDP has good reason to be cautious. It has presided over nearly 40 years of prosperity. Japanese people in opinion polls express complaints about their living standards, especially about housing costs, but are generally satisfied with the country's economic management. Nevertheless, if the current slowdown were to turn into a prolonged full-blown recession, accompanied by bankruptcies, sackings and a decline in real income, the pressure for action might become intense.

If Japanese are more concerned about their economy than at any time since the oil shocks of the 1970s, they are also more worried than in the past about their country's political role in the world.

Japan has responded to international demands for it to play a more active part in global affairs by passing a bill which will allow Japanese troops to serve on United Nations peace-keeping missions. Tokyo was stung into action by criticism of its role in the Gulf crisis when it contributed money to the allied cause but no manpower.

However, the peace-keeping bill has left Japan divided between those who believe an economic superpower should share the burden of policing the world and those who fear such involvement could lead to a revival of Japanese militarism. The government, despite its internationalist intentions, will be obliged to tread carefully for fear of inflaming domestic opposition.

Meanwhile, the end of the Cold War could lead to changes in east Asian international relations. The cornerstone of Japan's policies remains close friendship with the US, including a security alliance. Both partners remain committed to each other and indeed are held together by a common interest in, among other things, the stability of the region.

But this interest differs in subtle ways. For example, Japan has been noticeably more friendly than the US towards China since the suppression of demonstrations in Beijing in 1989. Tokyo is considering an invitation from Beijing for Emperor Akihito to visit China this autumn.

Japan's policies are also coloured by its dispute with Russia over territories seized by Soviet troops in 1945. Japan insists that it cannot extend large-scale financial support to the states of the former Soviet Union until its claims are recognised.

While Tokyo has fudged this condition in recent years – by granting increasingly large quantities of humanitarian aid – it remains reluctant to participate in the grand plans for economic assistance being formulated in the US and Europe.

But Japan's willingness to become more independent of the US in its foreign policies is strictly limited. As the debate over the peace-keeping bill showed, Tokyo's priority is to grow in its role as a fully-fledged member of the international community. And that community, for the foreseeable future, is US-led.

IN THIS SURVEY

☐ Editorial production: Phil Sanders

□ POLITICS

Reform will be difficult

AFTER months in the political doldrums, Mr Kiichi Miyazawa, the Japanese prime minister, is enjoying something of a revival.

The ruling Liberal Democratic Party (LDP) will fare much better than it feared in the forthcoming elections to the Diet's upper house, to be held on July 26.

However, the recovery in the prime minister's fortunes will do little to improve his capacity to govern. The LDP is steadily losing control of the Diet, making it increasingly difficult to secure the passage of anything except routine legislation. This month's poll will probably make it even more difficult than before to solve the party's more serious challenges – including electoral reform, possible revisions to tax laws and international demands for an end to the ban on rice imports.

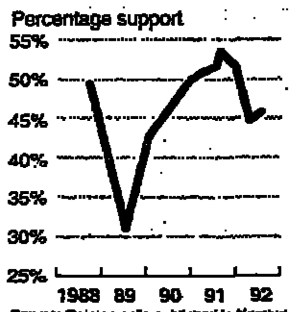
Only a few months ago, LDP officials considered ditching Mr Miyazawa. The government had suffered badly from the prime minister's handling of two nasty political scandals involving allegations of bribe-taking, from the economic downturn, and from the arguments over the controversial bill to allow Japanese troops to serve on United Nations missions. Mr Miyazawa's fortunes hit rock-bottom when the LDP lost a by-election in Nara – an ancient capital of Japan, and a traditional LDP stronghold.

But the prime minister's stock has since staged an unexpected recovery. This is partly caused by a lull in the two political scandals which grabbed so much space in newspapers earlier this year.

Interest in the affair concerning Kyowa, a steelframe maker turned property developer, has largely died away, following the arrest of a former cabinet minister who now faces trial on bribe-taking charges. The public prosecutor's office is still investigating a much larger scandal involving Sagawa Kyubin, a truck delivery company, and its links with gangsters and politicians. But leaks from the prosecutor's office have become scarce in recent weeks. Whether the probe has come to an end, or whether the prosecutors are merely maintaining a discreet silence until after the election, remains to be seen.

The prime minister has also benefited politically from the passage of the peace-keeping forces legislation, which completed its tortuous way through the Diet in early June, amid stormy scenes inside the chamber and demonstrations in the street outside. According to opinion polls, people remain deeply divided over the bill; its opponents are concerned about a possible revival in Japanese militarism. But LDP officials are relieved that the inter-party arguments over the bill are finished at last. Moreover, the opposition parties' filibustering tactics, including the "ox-walk" slow-voting technique, won credit from no-one.

Liberal Democratic Party (LDP)



Source: Opinion polls published in Yomiuri newspaper

Even the decline in the stock market and the economy seems, paradoxically, to have bolstered support for the LDP and the government. In the initial stages of turmoil in the financial markets, voters were happy to criticise the government, particularly the finance ministry. However, as the economy has deteriorated further, so alarm about the country's future has spread throughout Japan. As in previous economic crises, there is a growing feeling that the Japanese must pull together – a sentiment which has rallied support for the ruling party, just in time for the upper house elections.

Polls will be held in half the seats in the 252-member chamber. Elections are held every three years – with members sitting for six years, so the seats now being contested were last fought over in 1986, when the LDP won a resounding victory on the back of the personal popularity of Mr Yasuhiro Nakasone, the then prime minister. The party therefore expects to lose seats this time: the question is how many.

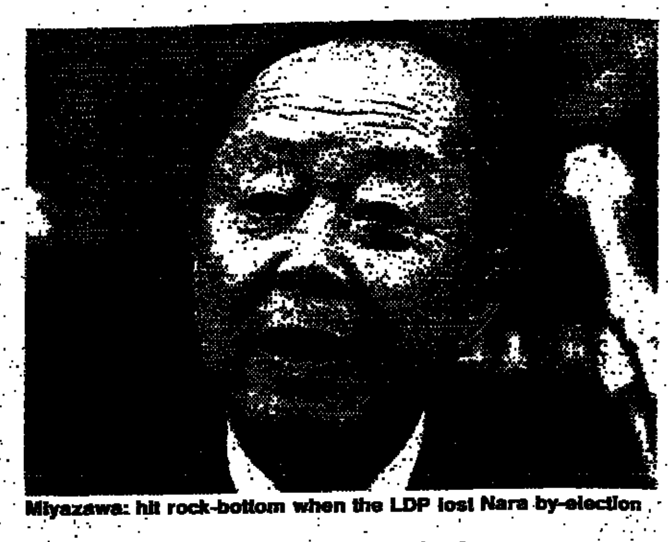
It is defending 75 out of 127 seats being contested. LDP officials believe they might lose about 10. Independent analysts think it could be as many as 15.

But even the loss of these few seats could be crucial in future national politics. This is because the LDP lost its majority in the upper house in 1989, when voters registered their anger at the party's involvement in the Recruit affair. Since then, the ruling party has relied in the upper house on the support of the main centrist party: Komeito. For example, without Komeito's 20 votes in the upper house, the LDP would have failed in its attempt to pass the peace-keeping bill.

Thus, although the LDP has kept its majority in the lower house, despite all the trials of the Recruit affair and other scandals, its ability to pass legislation is now severely limited.

The LDP and Komeito together hold 134 seats out of 252: a bare majority. If the LDP loses 10 seats this majority is forfeited (even if Komeito loses no seats, which seems unlikely). So the LDP will be forced to rely on making deals with other centrist parties, including the Democratic Socialist Party. The LDP and DSP have worked together before. But the LDP's inter-party clout will decline in proportion to the seats it loses.

LDP officials are concerned about the erosion of their control of the Diet. They point out that Japanese parliamentary practice has long included close consultation with opposition parties. So a smaller representation in the upper house may make little difference.


Miyazawa: hit rock-bottom when the LDP lost Nara by-election

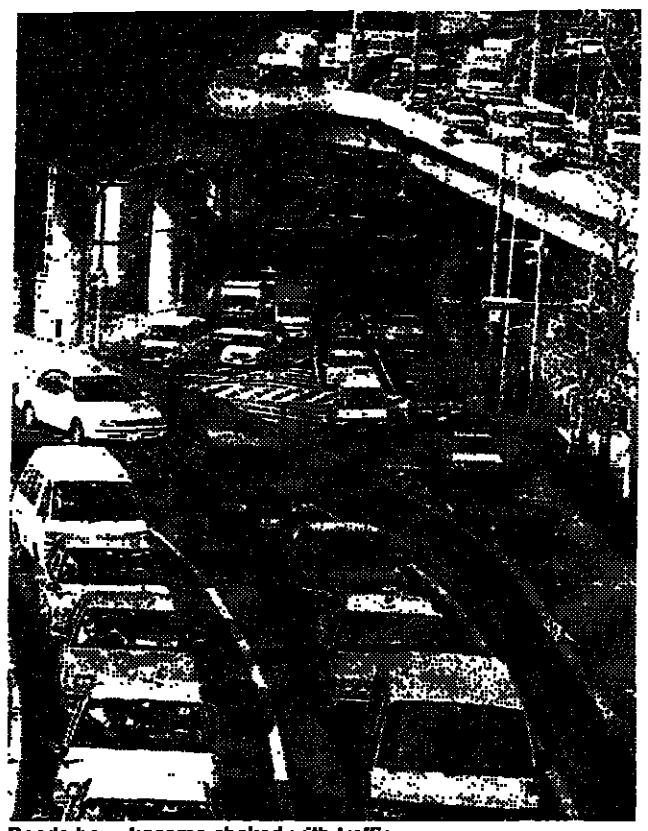
This is all true. But during its three decades in office, the party has rarely been forced to make difficult decisions about changing the law. Japan has largely been governed by bureaucrats acting within the framework of existing laws. The challenges of the 1990s are different; parts of the post-war legal framework are now in urgent need of reform. For example, Japan is under pressure from trading partners to open the rice market, which is protected by food security laws. The tax system places a heavy burden on wage-earners, while giving numerous breaks to the self-employed. Land use laws still favour farmers over townspeople. So do electoral regulations which give people living in rural constituencies a disproportionately big voice in the Diet.

Leading LDP officials are aware of these problems. But it is difficult for them to reform a system which they helped to create, and which helps to keep them in power.

Stefan Wagstyl

□ THE ECONOMY

A Japanese-style recession


Roads have become choked with traffic Picture: Glyn Genin

WORDS such as "disaster" and "horror" are increasingly entering the vocabulary of economists describing Japan. As each month's statistics are released by the government, economists search for a sign that the economy, rapidly plunging, is about to hit bottom.

Instead, and despite repeated government assurances to the contrary, the accumulated evidence points towards an extended period of weak demand, falling production and dismal corporate profits. The turning point towards renewed growth is increasingly elusive.

Of course, this is still a Japanese-style recession that is unlikely to meet the standard economist's definition of two quarters consecutive decline.

Economic growth this year is likely to reach at least 2 per cent, and employment remains at high levels. But the manufacturing sector is in steep decline, financial markets are devastated, and the contraction of demand has stemmed the flow of imports, pushing up Japan's already large trade surplus and angering its trading partners.

The latest "horror" came at the end of June, when the Ministry of International Trade and Industry (Miti) reported a decline of 8.7 per cent in industrial output during May, compared to a year ago.

A sharp drop in industrial output was by itself expected, and in principle it was a healthy sign because it showed that manufacturers were making efforts to cut back high levels of unsold goods in inventory by reducing the flow from the factory.

Yet in this case, although in May there was the steepest year-to-year fall in manufacturing since 1975, bloated inventories also edged up by a seasonally adjusted 0.4 per cent – because the flow of goods out of inventory to the market also slowed as demand contracted.

The Bank of Japan and the Ministry of Finance officially expect the period of inventory adjustment – when inventories decline to normal levels that allow manufacturers to restore production cuts – to last until the autumn. Salomon Brothers Asia, however, now believes the turning point is unlikely to come before the spring of 1993.

To bring inventory levels back to historical trends by November, manufacturers would have to cut output by 1 per cent a month, which Salomon Brothers believes is unrealistically severe.

The government case for optimism is based in part on the most recent Tankan, or short-term economic survey. The survey uncovered an unexpectedly sharp decline in business confidence in May, which hit the lowest level in five years. But the survey also showed that manufacturers were expecting a modest improvement in business conditions by September.

Corporate profits were expected to grow in the second half of the fiscal year by 17 per cent, after declining by 22.5 per cent in the first half. The government interpreted the Tankan to mean that the economy had hit bottom.

Financial markets plunged after the survey was released, but not so much because of the Tankan itself. It was, instead, the government's optimism – which appeared to dampen prospects either for an emergency government spending package or a cut in interest rates – that sent markets reeling.

The government's relative lack of alarm is easy to understand. Hardly anyone these days expects the government's growth forecast of 3.5 per cent in the year to next March to be realised. But the expected 2 per cent or better would be considered respectable anywhere else in the industrialised world.

The government can additionally comfort itself that unemployment is negligible, at 2.1 per cent, compared to an average of 6.4 per cent in the seven largest industrialised economies. The labour market is softening and overtime and bonus awards are being cut, but the direct human cost of the slowdown is small.

The government is also deeply fearful about rekindling inflation. With Japan's consumer prices now increasing at about 2.5 per cent annually, this fear looks ill-founded. But what haunts both the Ministry of Finance and the Bank of Japan is the underlying tightness in the labour market, where a structural shortage of manpower results from Japan's declining birth rate. Indeed, the frequently proposed solution for the economy – to spend money on public works – would pour money into the construction industry where the labour shortage is most keenly felt. The government could easily re-ignite wage inflation with an overly hasty attempt to jump-start the economy.

In the end, though, the government is certain to act, if only because Japan has come under intense international pressure to increase domestic demand, boost imports and help to pull the rest of the world out of the economic slump. Already, the ruling Liberal Democratic Party has proposed a programme of public works that would result in some Y6,000bn to Y7,000bn of extra spending. A decision will come in the autumn.

The rapid growth in the economy in the late 1980s, accompanied by easy money policies, temporarily put off the day when companies would have to face the fact that Japan is becoming less accommodating to manufacturing industries. Now, with labour both in short supply and expensive, land prices sky high, roads choked with traffic, and the cost of capital having risen sharply, this fact is inescapable.

Steven Butler

JAPAN 3

□ END OF THE CONSUMER BOOM

Appetites dampened

ANOTHER WORLD is the name of the foreign luxury goods section at the main Tokyo branch of Mitsukoshi, the prestigious Japanese department store.

It served as a thriving bazaar for the "Heisei aristocrats," those who made their fortunes from rising stock and land prices in the late 1980s and who took their title from the new emperor's reign that began in 1989.

But foreign luxury goods manufacturers and Japanese retailers are now confronting another world from the one two years ago when conspicuous consumption was in vogue and expensive imported items were eagerly bought. The bursting of Japan's bubble economy has dampened the appetite among consumers for French jewellery, German sedans or Italian suits.

The declining interest in branded products has hurt European makers of luxury goods particularly hard because they were the main beneficiaries of the spending boom. Ms Mami Toyonaga, an analyst with the Japan External Trade Organisation (Jetro), said: "1989 and 1990 were the years of the EC brandname."

Imports of European luxury goods have dropped sharply since then and were largely responsible for the 9.2 per cent decline last year in EC exports to Japan of $31.8bn, according to Jetro.

Works of art and antiques from France, which accounted for half of the art objects shipped from abroad to Japan, fell by 80.9 per cent to $539m. Imports of jewellery from the EC slipped by 14.1 per cent to $374m, while diamonds and other precious stones from Belgium and the Netherlands declined by 11.2 per cent to $608m.

Imports of luxury cars from the EC fell by 16.1 per cent to $1.75bn, while European clothes suffered a drop of 11.2 per cent to $1.35bn. EC furniture declined by 8.9 per cent to $318m while handbags and luggage dipped by 2.5 per cent to $714m. This trend has continued for the first four months of 1992, with only European executive cars making a slight recovery; imports growing by 9.6 per cent.

It is not only European luxury goods producers who have been affected by the passing of the brandname fad. Japanese department stores that heavily promoted imported products suffered profit falls last year. Mitsukoshi blamed the decline in art and luxury purchases for its 43 per cent drop in pre-tax earnings to Y10.9bn for fiscal 1991, a result that forced it to delay plans to expand its store network.

Mitsukoshi now has a large inventory of Impressionist paintings and other European art that it bought at the height of a market that was mainly driven upward by Japanese investment. The value of Mitsukoshi's collection has subsequently fallen and it is waiting for a recovery in prices, which could take several years, before offering it to the public.

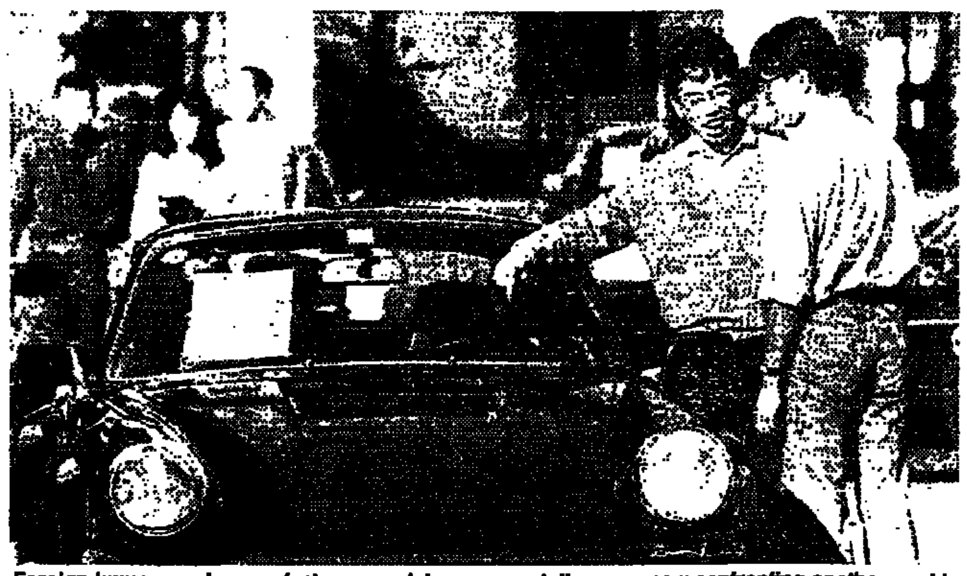
It is one indication that Japanese consumers have become price-conscious. European luxury goods companies in Japan realise that they can no longer sell their products on snob appeal. A high price tag was once considered an advantage in attracting Japanese consumers who wanted to impress neighbours with their wealth.

European luxury goods makers have now changed their marketing strategy by promoting the brand name as a guarantee of good quality and design rather than as a status symbol. They are also cutting their prices or introducing lower-cost products.

"Although the Japanese consumer used to purchase the brand rather than the product, quality has become the most important consideration and the competitiveness of price is another key factor," says Mr Guy Leymarie, president of Cartier Japan. "It proves that Japanese consumers have rapidly matured in their buying habits.

"Sales of big-ticket imported items have fallen, but there is a rise in sales of imported goods at the lower price end of their respective product segments. Japanese still want brand name products, but at a cheaper price," explains Mr Yoichi Kimura, a Jetro researcher who has helped compile a study on popular imported products.

Prices for some foreign jewellery brands at Mitsukoshi, for example, have been reduced by 10 per cent, which has improved sales of jewellery costing less than Y1m.



Foreign luxury goods manufacturers and Japanese retailers are now confronting another world

The promotion of less expensive car models, rather than price cuts, has resulted in BMW of Germany and Volvo of Sweden suffering smaller sales declines than other European car makers in Japan. BMW is concentrating on marketing its entry-level 300 series, while offering low-interest vehicle loans. Volvo is introducing its 850 GLT model, which is Y1.5m less than the top-of-the-line 960 model. "We have to adjust to the new price situation," said Mr Hans-Olov Olsson, president of Volvo Cars Japan.

More attention is also being paid to regions outside Tokyo, which was the centre of the imported goods boom. "Although Tokyo has only 20 per cent of the population, it accounts for 40 per cent of the luxury goods sold. But we see growth potential in other areas," explains Mr Osamu Tanegashima, director of operations of BMW Japan. Sales of BMW sedans are on the rise in Osaka and Nagoya, although they remain depressed in Tokyo.

Louis Vuitton is also concentrating on a regional marketing strategy instead of cutting prices to improve sales. Indeed, the company took the risky step last year of raising prices by 5 per cent. Although sales consequently fell by 10 per cent to Y39bn in 1991 and are expected to decline by 5 per cent this year, company officials defend the decision.

The company wants to maintain the high profit margins that exist in the Japanese market, which accounts for almost 30 per cent of Louis Vuitton's total sales. Prices for Louis Vuitton products in Japan are 45 per cent higher than in France. Officials also worry that price reductions would harm its brand image. Louis Vuitton hopes that the opening of new outlets in Kyushu and western Honshu will curb the sales decline next year and set the stage for a recovery.

Other European luxury goods companies are also focusing on the top end of the market. "Sales of products in the middle price range have gone down, but sales are growing in the upper and lower ends of our product segment. This means that our sales will stabilise in 1992 after doubling between 1988 and 1991," says Mr Leymarie. "There are still enough clients who have the money to buy our best jewellery in the knowledge they are making a sound investment."

Mr Didier Handache gives a Gallic shrug at the mention of Japan's economic troubles. The importer of the French Venturi sports car says the country's financial woes are having little impact on sales of the expensive vehicles, which cost between Y12m and Y16m.

He predicts instead that sales will triple to 40 cars this year. There are plans to open a showroom soon in downtown Tokyo, which will display a new model priced at Y20m.

"We are aiming for the absolute top of the pyramid; people who are immune to the bubble economy," says Mr Handache, who counts among his customers baseball players and actresses. "There are always people who can afford such luxuries."

John Burton

□ TRADE

Sensitivity over surplus

In the quest to prove that the Japanese market is open, the country's car makers have been doing US producers the favour of sharing cherished showroom space. And electronics companies are doing their bit for trade harmony, with Matsushita Electric Industrial selling US-made hiking gear for the great Japanese outdoors.

The mix of a soaring trade surplus and a US election campaign has made Japanese companies all the more sensitive to political symbolism. And with the European Community keen to convene negotiations to remove "structural" barriers to balanced trade, EC companies may be the beneficiaries of Japanese corporate favours in coming months.

At the centre of this activity is the Japanese trade surplus, which is likely to set a new record this year surpassing the $82.7bn of 1986. The sheer size of the figure inspires trade friction, regardless of the structural changes made by Japan over the past six years, and generally regardless of the corporate favours.

Having watched the surplus fall in successive years to $52.1bn in 1990, the Japanese government was dismayed by the jump to $77.8bn last year and is even more uncomfortable at the prospect of the surplus topping $100bn in the current year. The resurgence has come with the slowing of the economy, as demand has fallen for imports and Japanese manufacturers, who over-invested in new capacity in the late 1980s, have increased exports.

Given the embarrassing surplus, the government has good reason to maintain a low profile this year, other than for the announcement of new trade favours and promises to stimulate the domestic economy. However, the Japanese government has been uncharacteristically aggressive in recent weeks and caused confusion in Washington with the timing of its first report on unfair trading policies.

The report, which found that the US had nine black marks out of a possible 10, was conceived when Japan's surplus was falling and was intended to show that not only the EC and the US could find fault with trading partners. While not providing for punitive action against violators, the report did achieve its aim of "stimulating discussion".

US Congress representatives dismissed the report on the grounds that "people who live in glass houses shouldn't throw stones", while even the Bush Administration complained that Japan was "not in a position" to criticise US policy. However, at least a few officials in Tokyo were pleased that they had created a small stir in Washington and given the impression that Japan had become less passive.

Meanwhile, Mr Michio Watanabe, the foreign minister, dispatched letters to the US and EC complaining that they had failed to honour deadlines for reports under the General Agreement on Tariffs and Trade (Gatt). Japan, one of about 15 countries to meet deadlines for submissions on industrial tariffs, presented a 450-page report, while the US furnished only a few pages and said that reductions were still under consideration.

And the foreign ministry also sent a separate letter to the EC complaining that a Commission review of bilateral relations was no more than a collection of trade whinges and had ignored the potential for improved political and cultural ties. Japanese officials were particularly annoyed that the report bluntly suggested that the EC "convince Japan" to cut the trade surplus.

There is concern in Tokyo that the Commission will be tempted to use Japan as an issue on which to unite EC sentiment. When Mr Kiichi Miyazawa, the prime minister, met Mr Jacques Delors, the Commission president, in early July, EC irritation at Japan's $27bn surplus was made clear and it was suggested that the two sides establish an "experts forum" to study the "structural" causes. The proposal echoes the Structural Impediments Initiative (SII) launched by the US in which Japan promised to increase infrastructure spending and to speed the approval of larger stores in an attempt to change spending patterns and stimulate demand for imports.

If the trade surplus continues to increase, Washington will be under pressure to concede that SII was of limited use and to devise another initiative to redress the imbalance. But, by focusing on the raw figures, Japan's trading partners are ignoring policy changes and overlooking the competitiveness of Japanese products.

The first signs of recovery in the US were accompanied by an increase in Japanese exports, essentially because US consumers and companies were choosing to buy Japanese. And manufacturers of machine tools are able to export excess domestic capacity to the EC and Asia because of the enduring demand for quality production equipment.

That doesn't mean Japanese companies are completely free of blame. The Ministry of International Trade and Industry (Miti) explains that some companies which expanded capacity in the late 1980s got their numbers badly wrong and are now being forced to export. And the ministry also concedes that the financial "bubble" of the late 1980s distorted the improvement in the trade balance, having prompted an unsustainable increase in imports of luxury goods, including European prestige cars.

But Japan has done much since the mid-1980s. The yen has appreciated sharply, domestic demand was stimulated, markets were opened and import promotion campaigns were christened. Yen appreciation was supposed to make exporters less competitive, but companies adapted and have kept or expanded market share in industries such as cars and machine tools.

At the same time, leading manufacturers have established factories in south-east Asia and China dependent on high value-added components made in Japan.

These factories have created demand for imports from Japan and are exporting competitively-priced Japanese-branded goods to western markets. In the longer term, Japan will face political pressure not only from the EC and US, but also from the Asian countries which have recently surpassed the US and Canada as its largest regional market.

Robert Thomson

□ THE FINANCIAL SYSTEM

Confidence crisis

EVER since it became clear that there was something desperately wrong with the Japanese stock market, the world financial community has been anxiously awaiting the fall-out.

The immediate fear was that the mighty Japanese financial institutions would pull out of the international arena: in particular, that banks would withdraw from overseas lending.

The problem was seen as a mechanical one: that as the Nikkei index fell, the banks' capital bases would be eroded, causing them to cut back lending to keep within internationally-agreed rules on the ratio of loans to bank capital. That specific problem may have been exaggerated. However, the broader question of the health of the Japanese financial system remains open to anxious debate.

Mr Takasha Kiuchi, chief economist of the Long-Term Credit Bank of Japan, points out that the banks' ability to lend depends not only on the level of the equity market, which affects their asset base, but on the yen-dollar rate, which affects the value of their dollar-based loans. On both counts, he is fairly optimistic.

"We presently think the Nikkei index is below its normal range, which on various measures should be between 18,000 and 20,000. If it gets back within that range and the yen stays above Y130 to the dollar, the long-term credit banks and city banks can probably expand their lending at a similar rate to last year's 4 per cent. That didn't cause any strain, and this year we don't expect a recovery strong enough to need more than that".

Not everyone in Tokyo is so sanguine. Mr Peter Tasker, of the merchant bank and stockbroker Kleinwort Benson, says: "The problems of the banking system are very serious".

Suppose, to take an extreme case, the Nikkei index were to fall further to 10,000. "The cost of that would be paid by the real economy for years to come. The banks' hidden reserves would disappear, so they couldn't use them to offset bad loans as they did in the past. So it would take many years to absorb bad debts. That means raising banking spreads, which means slower economic growth.

"The Japanese blue-chip industrials may have access to alternative funding sources such as the Euromarkets. But the small- to medium-sized companies – the heart of industrial Japan – rely wholly on the banks. In a worst case, that could hold the economy back for six or eight years".

As for the contraction in Japanese bank lending abroad, it has already happened. Ms Alicia Ogawa, of S G Warburg in Tokyo, says: "In the year to March 1990, loan growth overseas by the Japanese banks was three times as high as in the domestic market. By 1991 it was actually negative. In 1992 it will be the same, and again in 1993. The banks got badly burnt in the UK and have no interest in Europe. In the US, they're doing a lot of strategic re-thinking. The only overseas markets they're still interested in are in Asia, especially mainland China".

In any case, Ms Ogawa says, generalisations about the health of the Japanese banking system at present are largely meaningless. This is because nobody knows the true scale of their bad debts.

"In most Japanese townships", Ms Ogawa says, "depositors have only the regional banks or the government savings bank to choose from. There has been a lot of switching into the savings bank already. If the regional banks had to announce bad debts equivalent to six or seven times their capital, the exodus would reach tidal wave proportions".

Bad debts, Ms Ogawa estimates, must amount to between 5 and 10 per cent of the average bank's loan portfolio. In addition, she points out, some Japanese companies do not have to disclose off-balance sheet loan guarantees which they have made to their own subsidiaries. "In some cases, that could exceed the company's assets. So the banks don't always have a real idea of their customers' collateral either".

Even those who dispute the seriousness of the banks' position would concede that the other pillars of the Japanese financial system, the insurance companies, are changing their behaviour as a result of the bursting of the bubble.

Mr Yasuo Kanzaki, deputy president of the Tokyo stockbrokers Nikko Securities, says: "In the past, the insurance companies weren't so concerned about currency risks. They claimed to have plenty of hidden reserves, so they could offset currency losses by realising unrealised capital gains.

"Now the stock market has collapsed, their currency risk is uncovered. A lot of my friends in overseas portfolio management now say that if the yen goes up any more, they're exposed. In the past, they could ask the domestic portfolio managers in the same organisation to cover for them from their profits. Now their domestic colleagues aren't so generous. And if the rising trend in the Japanese trade surplus is a guide, the yen could still be undervalued. So they're very nervous".

Given the traditional role of the Japanese insurers in funding the US budget deficit, this trend could eventually prove fairly serious. At the margin, it could push up US long-term interest rates, further jeopardising US economic recovery.

But in the end, the plight of the financial institutions in Japan belongs in a wider context. As time goes by, it is becoming apparent that the true effect of the bursting of Japan's asset bubble is to cause a crisis of confidence in the wider economy. "The body is sound", says Professor Makoto Utsumi of the Ministry of Finance, "but the brain is suffering from neurosis. The result is a 'Don't take risks' syndrome which is very serious".

The problem thus goes beyond the availability of Japanese finance to service a world economic recovery. Important though that issue is, the real question is how far the Japanese economy will be able to act as an engine of growth to pull its trading partners out of recession. If the neurosis proves as serious as Professor Utsumi fears, the world may be disappointed.

Tony Jackson

□ DEBT

Training needed with credit cards

IN explaining the real or feigned credit inexperience of Japanese consumers, a telephonist at a Tokyo debt collection agency told of the householder apparently surprised to find that the goods she ordered and received from a mail order house were not part of a free gift offer.

Having spent much of the 1980s convincing Japanese to increase their use of consumer loans and credit cards, consumer credit companies and department stores have realised that along with the cards should have come education about how to use them.

Personal bankruptcies rose from 11,273 in 1990 to 23,287 last year, prompting large Japanese companies, which have traditionally relied on in-house collection departments, to turn to credit research agencies and lawyers in an attempt to improve their debt recovery rates.

Business Failures

	Number	Amount
1990		
1st Q	1,405	Y232bn
2nd Q	1,543	Y496bn
3rd Q	1,528	Y297bn
4th Q	1,993	Y972bn
1991		
1st Q	2,094	Y1,511bn
2nd Q	2,629	Y1,752bn
3rd Q	2,615	Y2,284bn
4th Q	3,385	Y2,601bn

Source: Tokyo Shoko Research

Mr Eiji Tamaki, chief executive of Consumer Credit Clearance (CCC), a credit information and collection agency, has noticed the difference. His client base has grown by more than 20 per cent over the past six months and he has been surprised by the renown of some companies that have sought help.

"People need education about credit. They have been given credit but they don't understand how to use it," said Mr Tamaki, who expects that his business will continue to grow rapidly over the next few months. "This is the winter after the bubble era."

The image of the debt collector in Japan had been tainted by the popular perception that only gangsters are in the business. But the success of Mr Tamaki and of his Credit Assurance Co-operative (CAC), described as a "voluntary membership union" to which companies subscribe, has made collection more respectable.

As a voluntary membership union, CAC is able to send letters requesting that consumers pay outstanding debts to member companies, whereas debt collection, *per se*, is limited to Japanese lawyers. Fear of gang loan-sharking inspired the restrictions, but the value of CCC and CAC is now becoming painfully obvious to leading companies.

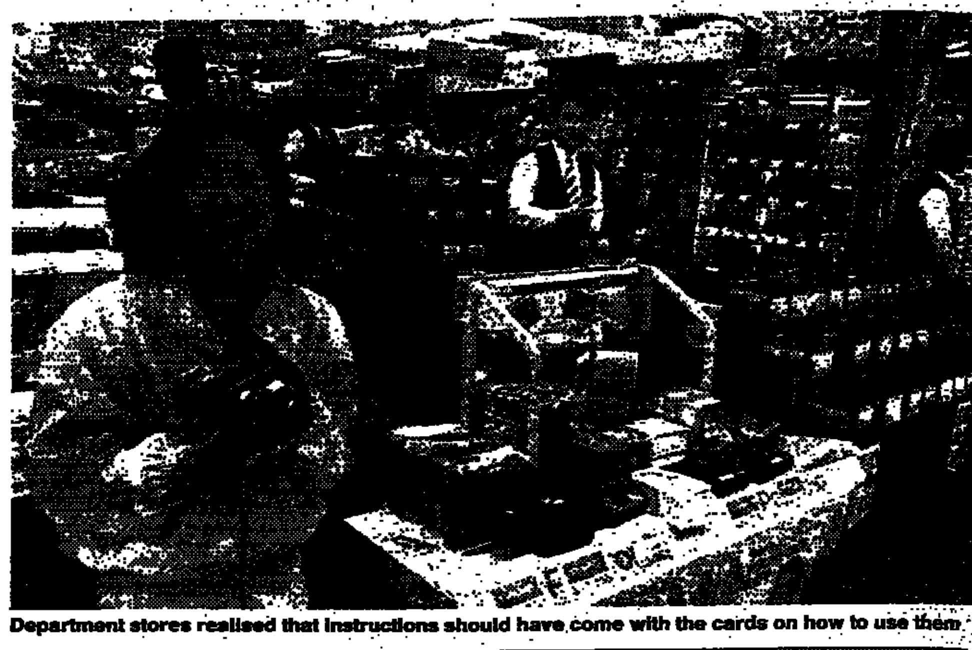
CAC can encourage consumers to pay their debts or risk a black-listing on its credit files. The union will send a card politely requesting the payment of a debt and follow up with a card that is still polite, but hints that the black list awaits a defaulter. Meanwhile, the broader the client base of CCC and CAC, the more effective a black-listing becomes.

Mr Tamaki is also prospering from the realisation that retailers and credit companies need to be better informed about the credit background of consumers and small companies. A credit industry survey of card penetration earlier this year found that the average adult holds 1.54 cards, up 0.24 from two years ago, and companies have realised that some of these cards should never have been issued.

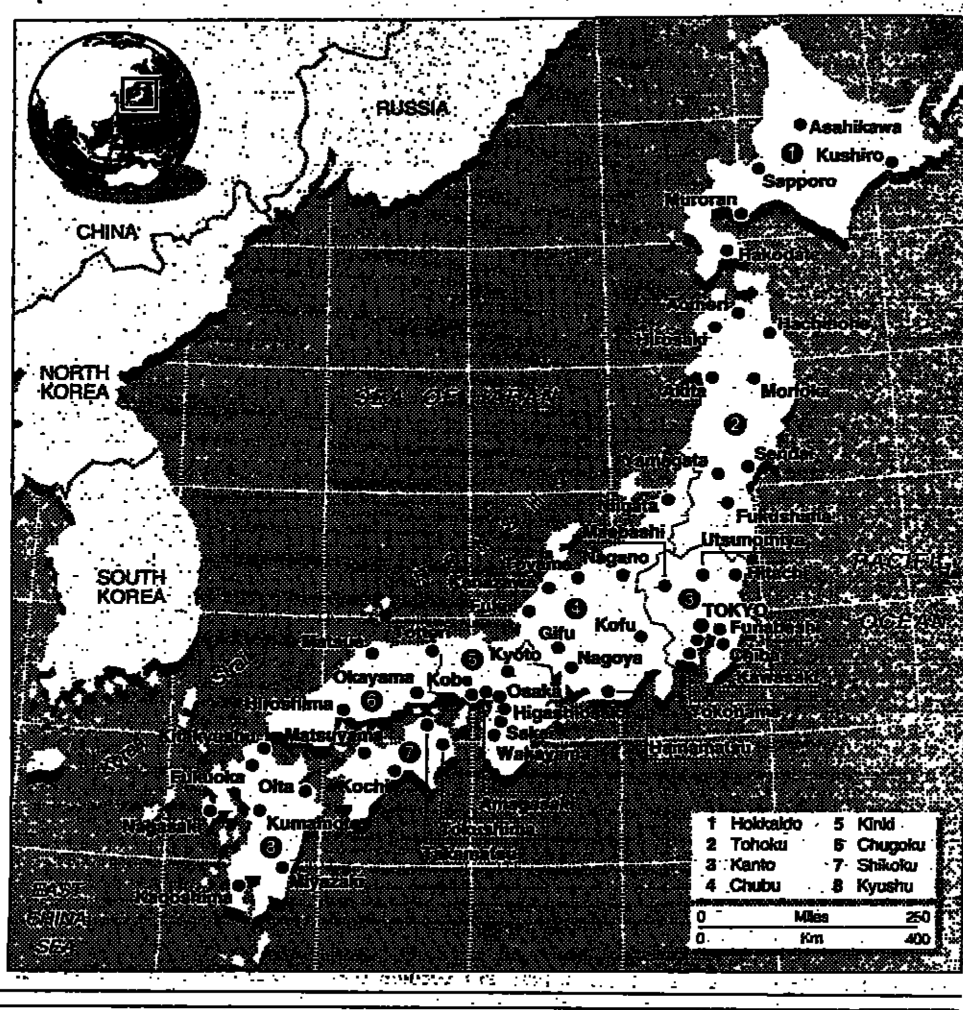
One response has been for credit card companies to introduce tougher limits for new card-holders and improve collection procedures. But, for some bankrupts, the limits have come too late because they were able to accumulate substantial debt from companies more keen on building a customer base than on verifying credit worthiness.

A lawyer who specialises in debt collecting explained that an increasing amount of consumer and small company debt is backed by property or security assets greatly eroded by the collapse in the stock and property markets: "The only thing that will save some people is a rekindling of asset price inflation."

Robert Thomson



Department stores realised that instructions should have come with the cards on how to use them



The car industry is facing fresh new problems *Picture: Glyn Genin*

□ INDUSTRY

Dismal start to decade

FOR the giants of Japanese industry, the 1990s have got off to a dismal start. The most obvious problem is the bursting of the asset bubble, which has caused severe damage to balance sheets and sharply raised the cost of finance. But in more fundamental terms, it is striking how many of Japan's key industrial sectors face quite specific difficulties of their own.

The effects of a falling stock market, while real enough, may with luck prove temporary. Among the most publicised victims of the crash are companies which took advantage of soaring share prices in the late 1980s to raise cheap bond finance with stock warrants attached. Since the warrants are now worthless, the bonds must be refinanced at very much higher rates of interest – say, 6 per cent instead of 0.5 per cent.

Some estimates put the sums involved at \$140bn over the next four years, with the peak for refunding due next year.

Formidable though this sounds, there seems little doubt that it can be afforded. First, as the Long Term Credit Bank of Japan argues, the money repaid will go back to the bond market. It will then presumably be reinvested in the new bonds which the companies issue to pay for the old.

In addition, says Mr Yasuo Kanzaki of Nikko Securities, Japanese companies still carry huge amounts of cash on their balance sheets. "A lot of companies still remember the days of 20 years ago when it was hard to raise money. So they still maintain unnecessary liquidity. That means they do not have to make demands on the banking system".

The problems of individual industries are another matter. Some of these may prove merely cyclical. Others may have to do with basic changes in Japanese patterns of work and consumption, which the bursting of the bubble has served merely to accelerate.

In the traditional Japanese arena of consumer electronics, for instance, the problem is one of a glut of old products and a shortage of new ones. Mr Frank Ohgai, planning director of the audio-video business of the electronics giant Matsushita, gives the background.

"In the audio-visual business, it usually takes ten years for a product to get from introduction to maturity. The period 1945-55 brought the switch to transistor radios. In 1955-65 it was black and white TV, then in 1965-75 colour TV, then in 1976 video cassette recorders came along. In 1985 it was the turn of the compact disc. Now the audio-visual industry lacks a locomotive".

Mr Ohgai pins great faith on the success of high definition television to take up the running in the mid-1990s. In addition, he is optimistic about what are known in the industry as multi-media products, meaning home computers combined with audio-visual equipment. But as Mr Ohgai concedes, if these do not take off, the industry is in trouble.

According to the Electronic Industries Association of Japan (EIAJ), if the electronics industry were to carry on solely with its existing products, the Japanese market would shrink by two thirds between now and the year 2000. As it is, the EIAJ forecasts that the market of will grow 2½ times by then, which means it will have to consist almost wholly of products which do not yet exist. It seems a tall order.

Similarly, the Japanese car industry is facing contraction in its domestic market for the first time in its history. In the old days, it would have responded by expanding its sales overseas. Now it faces two problems.

First, the sharp increase in trade friction in the past decade, particularly acute in the US market, puts aggressive exporting out of the question.

Second, Japanese car manufacturers are now huge overseas producers themselves. Honda, for example, makes more cars in the US than it does in Japan.

For the Japanese construction industry, much hope is pinned on a surge in infrastructure and housing spending in the 1990s. Certainly, it seems plausible that in a country where only 44 per cent of houses are connected with a main sewer, there should be a great deal of catching up to do.

But according to Mr Yoichi Uchida, senior economist with the Research Institute of Construction and Economy, it is not that simple.

The 10-year programme concluded between Japan and the US under the Structural Impediment Agreement promises spending of Y430,000bn (\$3,500bn) on infrastructure between 1991 and 2001. But that, says Mr Uchida, involves raising public investment by 6.3 per cent a year in real terms over the 10 years. Official projections are for growth in the Japanese economy of only 4.75 per cent over the period. In other words, public investment has to increase as a proportion of economic activity.

But history, says Mr Uchida, points the other way. In the 1960s, public investment rose much faster than GNP. In the 1970s, it grew at about the same rate. In the 1980s it lagged behind. To reverse the trend would mean either an increase in the burden of taxation or a rise in government borrowing. The first is unpopular with the public, the second with the government itself.

Behind all these individual problems are a group of familiar themes to do with shifts in Japanese society and the increase in trade friction. Japanese companies, it is now said, should pay more attention to generating return on equity than to expanding market share. Working hours should be reduced. The Japanese quality of life should be raised to reflect the country's standing in the world.

Proclaiming the end of the Japanese industrial miracle has been fashionable for years. Since the bursting of the asset bubble – surely a transitory phenomenon – it has become more popular than ever.

Those who underestimate the fundamental strength of the Japanese industrial machine do so at their peril. But there is no escaping the sense that the machine is becoming more mature and less different from its western rivals than it used to be.

The bubble may only have hastened the process of change. But one way or another, large chunks of Japanese industry may never be the same again.

Tony Jackson

□ RESEARCH AND DEVELOPMENT

Product innovation is price of survival

DESPITE the air of gloom now fashionable in Japanese industry, the search for new products still goes on. Nowhere is this more true than in the electronics industry, where product innovation is the price of survival.

Severe though the latest downturn has been, it is not without precedent. Matsushita, for instance, saw its profits drop 39 per cent last year. But in the last two downturns, in the crisis years of 1975 and 1986, profits fell by 40 per cent and 40 per cent respectively.

This year, like most Japanese manufacturers, Matsushita will be cutting its capital expenditure heavily. But research and development spending will actually rise slightly to Y430bn (\$3.5bn).

In the field of consumer electronics, products in development by the industry at large include wall-hanging flat screen TV sets, digital VCRs, digital compact cassettes and – above all – high definition television, or HDTV.

Mr Frank Ohgai, planning director of Matsushita's audio-visual division, says: "HDTV is the one key to growth in our business. By 1995-6, that's going to be a very popular market. Then people are going to need everything else to go with it – camcorders, VCRs and so on."

The other key development, he says, is in the combination of audio-visual and computer equipment for use in the home. "But everyone is interested in that: the computer people like IBM, Apple and Microsoft, video games producers like Nintendo, movie software producers, educational publishers, manufacturers like ourselves.

"So we're still in a period of transition. The big question is what format will become the international standard and who will get there first."

It is only fair to point out that not everyone in Japan shares Mr Ohgai's confidence about the outlook for these products.

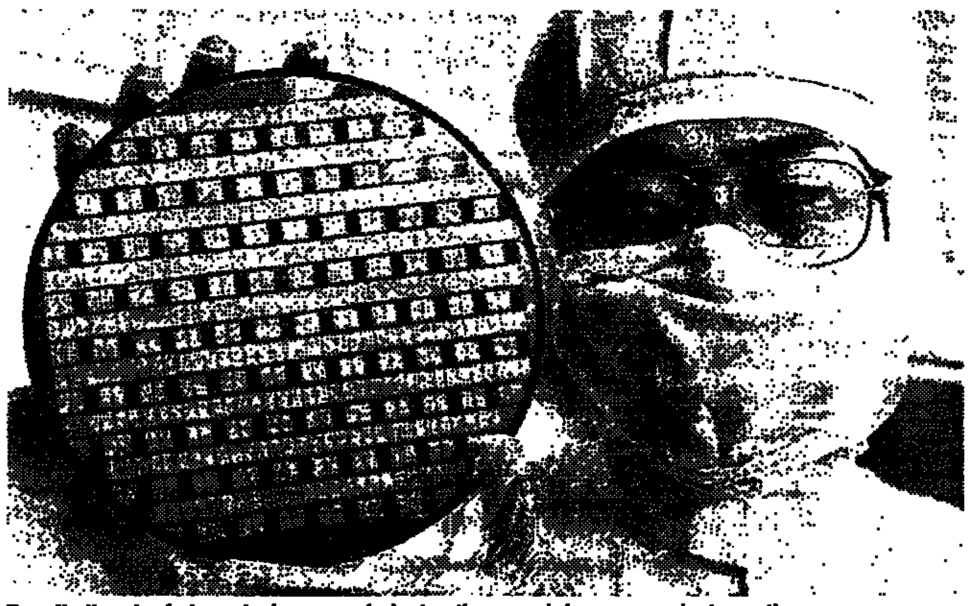
On the subject of HDTV, Mr Masanori Moritani, a specialist writer on technology, is downright pessimistic:

"The question for HDTV is one of software – that is, the programmes people actually watch. The popular TV programmes in Japan are quiz shows, chat shows and programmes about eating out. What's the point of watching that kind of thing on high definition?"

A more serious fundamental problem, he argues, lies in the size and cost – about \$10,000 – of the HDTV set itself. "In the past, Japanese companies have worked on miniaturisation.

"Whether that works for HDTV is an open question.

"Besides, earlier products like calculators or video recorders were genuinely new. People bought the earlier versions regardless of expense, and that helped to fund their development. But if you already have a TV, a VCR and a camcorder, where's the incentive to buy new versions which are three times as heavy and very much more expensive?"



Despite the air of gloom in Japanese industry, the search for new products continues *Picture: Glyn Genin*

Mr Moritani is equally pessimistic about developments involving home computers. "The trouble about home computers is that people don't know how to use them. At present, PCs are used for enjoyment by enthusiasts. Will housewives behave like computer freaks?

"If you can produce a computer on which you push two or three buttons and it does something really interesting, that could be feasible. But what are the interesting things a computer can do, and can we find them?"

Mr Ohgai of Matsushita does not deny that the technological risks are enormous. His conclusion, though, is not that they should not be undertaken, but that they need joint funding to spread the risk.

"To create these huge markets needs so much investment that individual companies can't afford it. What is needed is international consortia, with the manufacturers getting together to establish agreements on formats and technical standards and to spread the investment risk."

In these consortia, he believes, each geographical region should play to its strengths.

"The hardware and software have to proceed in parallel. On into the 21st century, the computer and entertainment will still be handled by the US. The hardware will be in the hands of Japan or maybe other Asian countries, which are catching up fast.

"As for Europe, we respect the fact that the basic R&D and technology is still in European hands. Japan's role here is its traditional one: to popularise the product and make it at an acceptable price".

Tony Jackson

☐ MACHINE TOOL INDUSTRY

Yamazaki's family affair

"IT is a characteristic of the machine tool industry that from the top of the boom to the bottom of the slump the market can halve. We need to lower the break-even point so that we can survive that," says Mr Teruyuki Yamazaki, one of the world's leading machine tool makers.

Sitting in his sumptuous office – paintings by Ingres, Delacroix and Boucher, sculpture by Rodin, furniture old English – he scarcely looks hard up. There is no question, though, that times are tough. His company, Yamazaki Mazak, is running at 60 per cent capacity. "But we're in profit this month, anyway," he says.

The present slump in machine tool orders is partly a function of over investment by Japanese industry in the bubble years. In the two years 1987-89, according to the Japan Machine Tool Builders' Association, domestic sales of machine tools virtually doubled. In the first four months of this year, domestic orders are down by nearly half.

However, this is not without precedent. Mr Tsunehiko Yamazaki, vice-president of the private family-owned business and Teruyuki's brother, says: "In the history of the industry, there have been plenty of examples of famous manufacturers dating back to the Industrial Revolution going under. The only way to avoid that is through continuous investment."

Yamazaki is expanding capacity at its main plant, at Minokamo in southern Japan. It has just opened its first Asian manufacturing operation, in Singapore. In the past three years, capital expenditure has averaged $100m, or about 10 per cent of turnover. This year it will be about the same "not because we wanted it, but because we were committed to it," says Teruyuki .

Yamazaki takes to the extreme the principle of automated manufacture. "A job which used to take 1,000 operatives can now be done with 10. We can generate $10m of output with the same overheads as for $1m," says Teruyuki.

The physical process this involves is slightly spooky to watch. Machine tools are, of course, machines for making machines. The Minokamo plant takes this a step further. In essence, it is one large machine-making machine to make machines.

'This is the first time I've seen all the world economies going down together'

At one end of the plant unmanned loaders, some 10 feet long and three feet high, roam around the floor, playing tunes to warn any stray humans of their approach. One rolls up to the warehouse counter, playing "Annie Laurie," and deposits a couple of machined body parts.

Another robot, a spindly giant about 100 feet high, whisks the parts up and stacks them under the roof. The loader picks up a pallet of small parts and moves off again. One of its fellows waits courteously for it to pass. It then moves off, tootling "Für Elise." They will go on doing this all night.

In a culture which still does not permit lay-offs, this gives a useful element of flexibility. "When the plant is running below capacity, as now, we can simply eliminate one of the unmanned night shifts. That's why we're not losing money," says Tsunehiko.

The process of automation, Teruyuki says, has further to go. "The cost of labour is rising and working hours in Japan are going to be reduced. So whether we like it or not, the number of craftsmen is going to be reduced. Even if the technology isn't cost-effective yet, it will be one day."

It is often alleged that in terms of quality and precision, Japanese machine tools still do not match the more expensive hand-built machines from Germany and Switzerland.

Tsunehiko's response to the charge is aggressive: "People sometimes say that such a precise machine should be hand made. We don't deny that some parts should be made by hand. But where unmanned operation is possible, a lot of talk to the contrary is sour grapes. Perhaps some people without the electronic knowledge are afraid to adapt it into their technology. We aren't."

Yamazaki's other chief defence against the roller coaster nature of its industry has always been its international diversity. Japan accounts for only some 30 per cent of its sales, with 25 per cent coming from the US and a further 25 per cent in Europe. It manufactures in the US and the UK. Geographical spread is of limited use this time round. "In the 30 years I've been in this business," says Tsunehiko, "this is the first time I've seen all the world economies going down together".

Teruyuki qualifies this slightly. "Although Japan and Europe are poor at present, the US and Far East are not so bad. But that still means that two out of our three main markets are down, which is a serious problem."

The forward picture is still confused. "In the past two months, there has been a small improvement in order intake in the UK and the US which we couldn't have expected four or five months ago. But in Germany and Japan, orders are weak compared with what we expected six months ago."

Does it help that Yamazaki has remained a private company? "It has advantages and disadvantages," says Teruyuki. "If we'd been listed when the stock market was booming, we'd have had cheaper money. But the problem is that all that cheap money was someone else's. Now it has to be paid back."

There is a wider consideration. The machine tool industry's continuous demand for investment means the return on equity is typically low – perhaps lower than would be accepted by a public company. It is doubtless no coincidence that many of Yamazaki's competitors elsewhere in the world are private as well.

Teruyuki goes further: "Making machine tools is a job which should be handed down from generation to generation. Sometimes, a machine tool company is sold to a conglomerate because the son is not interested and it fades away."

Yamazaki was founded by Teruyuki's father in 1919. So will Teruyuki's son succeed him? "I believe so. He's already on the board."

Tony Jackson

☐ THE LABOUR MARKET

Downturn begins to bite

THE day starts early in Tokyo's day labourer district. By dawn most of the men, many of whom had slept outside in blankets and cardboard, hang around the day labourer market – a block where the recruiters wait around with their minivans.

However, times are hard for the labourers of the Sanya district in east Tokyo. While the average Japanese office worker has yet to feel the direct effects of the recent downturn in the economy, the labourers, usually working on construction sites and small factories, are one of the first groups to face the slump in the real estate market and decline in capital investment by companies.

"It's a recession," says one labourer waiting for the *tehaishi*, day job recruiter, to pick him up. "I'm lucky because I have connections. You can't find jobs without connections these days," he adds. He is one of 8,000 workers in the district, the second largest day labourer area following Osaka's Nishinari district. The men sleep in the *doya*, cheap hotels and apartments, or outside on the streets if they cannot afford Y1,000 for the night.

At about 6.15 am those who have not been so lucky in finding work for the day, head off to the employment centre, run by the municipal government, a grey concrete building where day jobs are posted from 6.30 am.

Waiting for the shutter of the centre to open, the workers, mostly men in their 50s, wait around with cigarettes in hand, and their belongings in paper bags by their sides. "I couldn't pay the rent for three months, so I just ran away," says one man to his friend. "There are three good jobs in Tokyo, and one in Sendai," shouts another.

Once the shutter opens, the men crowd into the centre, which resembles an empty parking lot. The workers look intently at the job offers posted on the walls. However, the number is limited and only a handful of applicants are accepted. The daily average number of jobs at the three employment centres in Sanya fell 16 per cent in the last fiscal year to March, to 554.

Labourers are among the first to face the property market slump

For those who have given up looking for work, the day begins with glasses of beer or sake at one of the many sake stands. Some stand around a meal van eating curry with rice for Y120, a fraction of the price for a businessman's meal in Tokyo.

The heady days of the late 1980s and the acute labour shortage created high demand for the day labourers, increasing daily wages to as high as Y13,000 for clearing and digging land. The increase in pay gave rise to business hotels where workers upgraded their boarding facilities from a badly lit room with six bunks to fully air conditioned rooms with television sets, costing as much as Y4,100 a night.

However, the lack of jobs has pulled down wages, and for an increasing number of workers, even the cheaper hotels are too expensive. "Of the 200 hotels for day workers, only 50 per cent of the rooms are being utilised," says Mr Kouichi Sato, manager at Jouhoku Welfare Centre, a government run counselling and aid centre in the Sanya district.

By 8.00 am, the early morning buzz is over, and blue-suited office workers start their journey to offices surrounding Sanya. The lives of the middle class around the area, are rarely affected by the outcast day workers.

During the day, the Sanya area becomes quiet, with a few of those who could not find work sleeping on the streets. Some of the labourers say they are turned off by the poor terms of the recruiters who are often connected with the yakuza, or gangsters.

"I'd rather be out on the streets than work for the yakuza," says one worker who chose to spend the day at the welfare centre. He complains that the an increasing number of employers try to exploit the labourers by charging unrealistic prices for meals, cigarettes, and tissue paper consumed during the day. With such expenses deducted, "by the end of the day, you end up being paid around Y4,000 although the promised amount is over Y10,000," he adds.

Mr Sato at Jouhoku says the number of labourers asking for aid or counselling has risen in the past year. "The number rose over 3,000 last January for the first time in eight years," says Mr Sato. Last fiscal year to March, the number of workers seeking help concerning food rose by 64 per cent, while those in need for board rose by 30 per cent.

"You're drinking, aren't you," says a welfare worker sternly to a middle-aged straggly-haired man waiting for counselling. A high percentage of the Sanya dwellers are alcoholics, and many are in poor health due to malnutrition. "Get your free health inspection," urges a flier distributed by the welfare centre, listing the symptoms of tuberculosis.

The demographic changes under way in Japan are apparent in Sanya. While most of the men look older than they actual are, due to the harsh manual labour, the average age of the labourers is rapidly rising. In Sanya, some 60 per cent of the residents are over 50 years old, while the same age group constitutes only 30 per cent of the whole of Tokyo.

Another problem for the labourers is the increase in foreign illegal workers. Employers prefer to hire younger foreign labourers at cheaper prices. Mr Sato was concerned over the increasing number of Japanese labourers losing jobs to such foreigners. "The rise in tensions could lead to riots," he adds.

By sunset, most of the workers are back from their jobs. After retrieving their bags containing their belongings from the coin lockers, some head for the public baths. By 9.00 pm, the streets are quiet again, as the labourers of Sanya prepare themselves for another early morning ahead.

Emiko Terazono

☐ INTERNATIONAL RELATIONS: CHINA

Close partnership could develop

JAPAN is paying more attention to its Asian neighbours as its trade disputes increase with the US and the EC. Although the Association of South East Asian Nations (Asean) countries were the main focus of Asian investment by Japan in the 1970s and 1980s, China could emerge as Japan's closest economic partner in Asia in the 1990s.

If that occurs, it would be as significant for east Asia as the post-war rapprochement between France and Germany was for western Europe.

One encouraging sign is that Japanese investment is flowing into China as the two countries celebrate the 20th anniversary of the restoration of diplomatic relations this year.


Toshiki Kaifu became the first leader of a leading western power to visit China after the Tiananmen Square massacre

Japan views China both as a source of cheap labour and natural resources as well as a potentially large and lucrative market. Although China harbours suspicions about Japan dating from the Second World War, it also eagerly seeks economic aid and investment capital from Japan.

Japan has curried favour with Beijing by leading the way in breaking western diplomatic isolation imposed on China following the military crackdown on the pro-democracy movement in 1989.

Last year, Mr Toshiki Kaifu, then Japan's prime minister, became the first leader of a leading western power to visit China after the Tiananmen Square massacre. This was followed by the resumption of Japanese government loans to China.

China's political troubles in 1989 occurred as Japanese investment in the country was accelerating. The investment reached a peak of $515m in 1988, then fell to $356m in 1989. There has been a gradual recovery since then, with Japanese investments amounting to $503m in 1990 and $533m in 1991.

However, China still accounts for only a tiny share of Japan's total worldwide investment. Japan has invested $2.86bn in China between 1979 and 1991, although the figure climbs to $4.12bn if planned investments are included. This amounts to only about 4 per cent of Japanese industrial investments abroad and less than 1 per cent of its total investments overseas.

Japan's direct investments accounted for a slim 4.4 per cent of the $11.98bn in total foreign investment in China last year. Although China ranks seventh among Asian countries in terms of Japanese investment, it is expected to climb up the table in the next few years.

Corporate investment is concentrated among Japanese producers of light industrial goods, including textiles, electrical appliances and consumer products. In particular, Japanese electronics companies are looking to China as one route out of their current downturn. China is not only considered a low-cost manufacturing base, but also as a market for electronic goods such as TVs and VCRs that have reached saturation point in the west.

But until Chinese authorities increase foreign access to the domestic market, an estimated 70 per cent of the goods produced by Japanese companies in China will be for export.

The port of Dalian is the main area attracting Japanese investment, followed by Shanghai, Beijing and Tianjin. The Japanese government, banks and trading companies are financing development of a Y30bn industrial park at Dalian that will be 80 per cent owned by Japanese interests.

"The infrastructure at Dalian is good, with port facilities and an adequate transportation network," said Mr Satoshi Imai, a senior economist and China specialist at the Japan External Trade Organisation (Jetro). "We expect that around 100 small and medium Japanese companies will locate in the industrial complex."

Another attraction of Dalian is that "the Japanese have a certain familiarity with the area," explains Mr Imai in a subtle reference to Dalian having been part of the Japanese puppet state of Manchukuo in the 1930s and 1940s. Despite Japanese colonial occupation of Manchuria, "the regional authorities are now encouraging Japanese investment."

China enjoys a trade surplus with Japan. Exports reached $14.2bn last year

Shanghai, meanwhile, has become the main base for Japanese trading houses and is likely to be another key manufacturing site for Japanese companies.

Japan, however, has lagged behind other foreign countries in making direct investments in the booming Guangdong region of southern China. "Japanese companies based in Hong Kong are primarily using Guangdong for subcontracting work and it is difficult to evaluate the extent of Japanese involvement in the province," says Mr Imai.

Japan is also providing loans to develop China's natural resources. The government has pledged a loan package of Y810bn to China for 1990-95. The funds will be used to develop coal and oilfields as well as the building of transport facilities, chemical fertiliser plants, and dams in which Japanese construction companies will be involved.

This activity is taking place against the backdrop of growing trade between Japan and China. Bilateral trade is expected to reach at least $25bn this year, exceeding last year's record of $22.8bn.

Japanese exports to China, which amounted to $8.59bn last year and mainly consisted of electronic goods, vehicles and machinery and equipment, were boosted by China's easing of import restrictions following the growth in its foreign exchange reserves and the resumption of foreign loans.

China enjoys a trade surplus with Japan, with exports reaching $14.2bn last year. They included supplies of coal, oil and food products. But manufactured items accounted for 55 per cent of the Chinese exports and a rising proportion of the textiles, metal goods and computer software being shipped to Japan are made in factories with Japanese investment.

Obstacles remain, however, to the development of Sino-Japanese relations in both the economic and political spheres.

Japanese companies complain about the poor state of China's transport infrastructure, while the supply of electricity is unreliable. Laws and regulations lack transparency and are changed frequently.

The chief source of concern among Japanese investors, however, remains the political stability of the Chinese government. "There are worries about what will happen after the departure of Deng Xiao-ping," says Mr Imai. But there is also a growing acknowledgement that China may be becoming a more stable place than the former Soviet Union and eastern Europe.

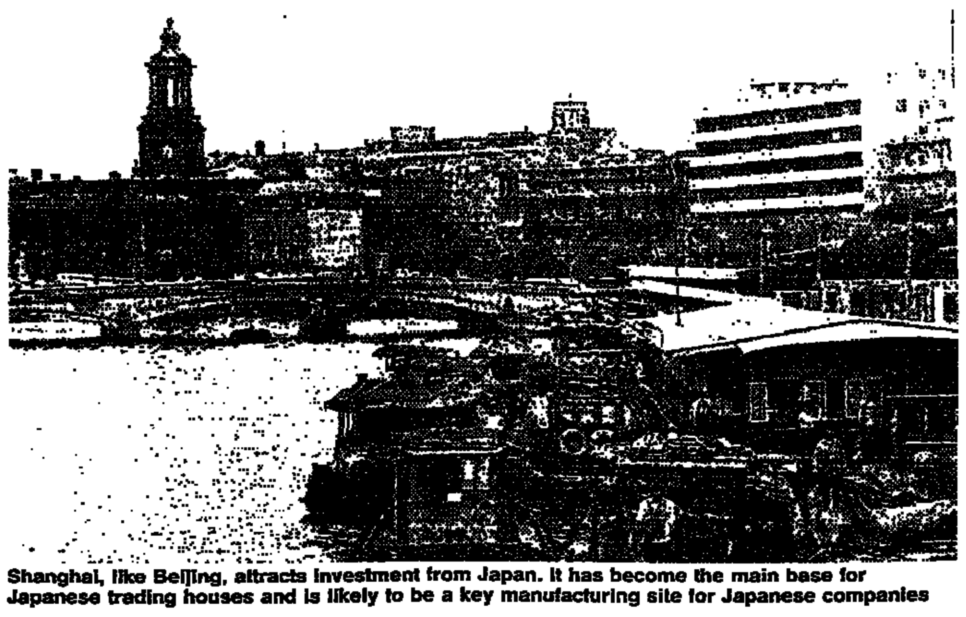
Government relations have been soured by several recent disputes. China has criticised parliamentary approval of legislation allowing Japanese troops to participate abroad in peace-keeping operations.

Japan has been irritated by renewed claims by China to the ownership of an island group near Taiwan that Tokyo also claims. Oil deposits are believed to lie in the surrounding seas.

But it is memories of Japan's aggression in China between 1931 and 1945 that still cast the biggest shadow over good relations. The Japanese government, for example, is reluctant to accept an invitation by Beijing for the Emperor Akihito to visit China in commemoration of the 20th anniversary of restored diplomatic relations.

Tokyo fears that the Chinese may demand an apology for the Japanese occupation, although Beijing denies such intentions. However, China may permit individuals to seek as much as $180bn in war reparations from Japan, which has renewed suspicions among Japanese officials. "The Chinese are raising the issue of the Japanese role in the Second World War as a bargaining chip to get more technology, investment and economic aid, which they consider inadequate. An apology by the emperor would force us to make new concessions," said a Japanese government foreign policy adviser. "Our position is that China has problems absorbing the current level of technology and investment that we provide."

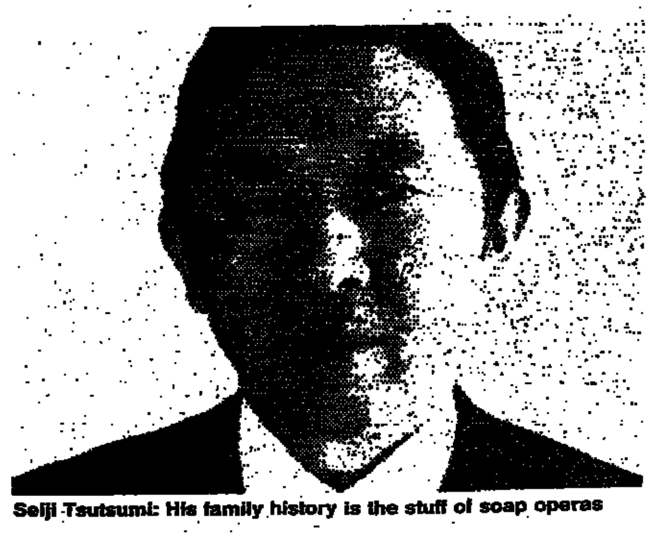
Despite these differences, Japan will probably work hard to strengthen its relations with China during the next decade. The Asean countries are becoming too costly as a production base, while the Soviet Far East is regarded as a poor investment risk.


Shanghai, like Beijing, attracts investment from Japan. It has become the main base for Japanese trading houses and is likely to be a key manufacturing site for Japanese companies

John Burton

□ INTERVIEW: Seiji Tsutsumi talks to Stefan Wagstyl

A rare bird among businessmen


Seiji Tsutsumi: His family history is the stuff of soap operas

'THE common image of Japanese businessmen is that they are always doing calculations on calculators in their rooms. I'm different," says Mr Seiji Tsutsumi.

It is no idle boast. Part businessman, part artist and part intellectual, Mr Tsutsumi, who is 64, is a rare bird among Japanese businessmen.

Saison Group, the conglomerate he leads, employs 145,000 people in everything from fast food and helicopters to luxury hotels. His interests include writing poetry and novels, modern art and the temples of Angkor Wat. His family history is the stuff of soap opera.

Mr Tsutsumi talks about himself in a slightly detached way, as if a little unsure of the many roles he plays. He seems shy but very determined – a man driven, as he says, by a hungry spirit.

This spirit was nurtured in a difficult childhood and youth. His father, Mr Yasujiro Tsutsumi was a ruthless railway baron who founded Seibu Railway, one of Japan's biggest private railway companies, as well as Seibu Department Stores and Prince Hotels, a luxury hotel chain.

At the end of the Second World War, Mr Tsutsumi senior bought prime Tokyo sites from impoverished Japanese aristocrats in a series of hard-driven deals, for which he earned the nickname Pistol Tsutsumi. He went into politics and became speaker of the Diet's lower house.

Mr Seiji Tsutsumi's life was blighted by the fact that he was the son not of his father's wife but of his mistress. His childhood was torn by the many conflicts generated by his father's pursuit of women. Mr Seiji Tsutsumi rebelled and, as a student, joined the Communist Party. With Japan still under US occupation and the Cold War raging, this was a risk, even for someone as privileged as Mr Tsutsumi.

After graduating from Tokyo University, he decided to conform – he joined his father's business and even served for a time as his father's political secretary, making friends with Mr Kiichi Miyazawa, the prime minister, who was then a young political aide.

The turmoil left deep scars on Mr Tsutsumi about which he writes in a semi-autobiographical novel, A Spring Like Any Other, recently published in English. It concerns a department store owner's attempts to reconcile himself with his life and his family, who all live in the shadow of a tyrannical father. At one point the hero says of himself: "It seems I'm burdened with an inability to commit myself which keeps me from belonging anywhere."

When Mr Tsutsumi senior died in 1964, his legitimate son, Mr Yoshiaki Tsutsumi, inherited almost the entire business empire except for Seibu Department Stores, which then consisted mainly of one loss-making shop in Ikebukuro, in central Tokyo. "The people at Seibu Railway thought the department store would go bankrupt. So they said: 'You take it'," says Mr Tsutsumi.

Personal file

1927: Born in Tokyo
1951: Graduated from Tokyo University economics department
1954: Joined Seibu Department Stores
1961: President of Seibu Department Stores
1975: Chairman of Seibu Allstate Life Insurance
1987: President of Saison Corporation
1991: Chairman of Saison Corporation

Other posts include board member of Keidanren, board member of the International council of The Museum of Modern Art, guest professor of Moscow University, adviser of Sotheby's Holdings and director of Club Mediterranée

To revitalise the company, Mr Tsutsumi says he had to try something different. He had earlier spent some time working for Seibu Department Stores in Los Angeles. There he saw chain stores in operation for the first time. These included JC Penney, the fast food group and consumer credit businesses. None of these then existed on any scale in Japan. When he returned to Tokyo, he realised what Seibu must do. "I saw the future of Japan in the US," says Mr Tsutsumi.

Seibu developed into a web of interlocking companies – a department store chain, a fashion chain, supermarkets, fast food, food processing and consumer credit.

Later, as Japan grew wealthier, Mr Tsutsumi invested in leisure, including the Seiyo Hotel, a luxury hotel in Tokyo, travel agencies, and a stake in Club Mediterranée, the French holiday village company. In 1988, he paid $2.15bn for Inter-Continental Hotels, the luxury chain.

"When I started, this business was one-hundredth the size of what it is today. We are the only department store company in Japan to have succeeded with diversification," says Mr Tsutsumi with a smile.

Japanese magazines often describe the rise of Mr Tsutsumi in terms of a life-long rivalry with his half-brother, Mr Yoshiaki Tsutsumi, who regularly heads lists of the world's richest businessmen.

Even when the group's name was changed last year from Seibu Saison to Saison Group, it was seen by some Japanese journalists as a snub to Seibu Railway.

Mr Seiji Tsutsumi parries a question about family rivalry, by saying: "We don't compete directly. Seibu Railway is completely different. My goal was not to compete with Seibu Railway but with Takashimaya and Mitsukoshi [Japan's two grandest department store companies]."

Mr Tsutsumi admits that the circumstances of his inheritance fired his ambition: "I think what made us successful was the fact that we had very few blessings at the beginning. We didn't have much bestowed on us. We had a hungry spirit."

Today, Mr Tsutsumi acknowledges that Saison Group, like other Japanese companies, suffers from an excess of that hungry spirit. He believes it is time for Japanese businessmen to replace a workaholic culture with one that would allow individuals more time for themselves.

He welcomes a recent appeal made by Mr Akio Morita, the chairman of Sony, the electronics group, who urged Japanese companies to stop seeking to maximise sales and profits and instead give employees more pay and more holidays.

Mr Tsutsumi has tried to live up to Mr Morita's philosophy – last year he retired from some top corporate posts in order to give himself more time for writing and for politics.

In practice, Mr Tsutsumi has found it hard to distance himself from Saison Group. He remains chairman of Saison Corporation, a core company. "I have delegated day-to-day management, but still I must still do some co-ordination between companies," says Mr Tsutsumi.

Mr Tsutsumi would have more free time were it not for the problems of Inter-Continental Hotels, which Saison bought from Grand Metropolitan of the UK in 1988.

The acquisition has been hit by unforeseen increases in borrowing costs and a decline in business travel caused by the Gulf war and the world economic slow down. It has made operating profits, but has fallen into the red after interest costs in each of the last three years.

Saison had hoped to share the risks and costs with Scandinavian Air Systems, the European airline, which bought a 40 per cent stake in Inter-Continental. But earlier this year, SAS, squeezed by financial difficulties, pulled out and sold its shares back to Saison.

Mr Tsutsumi says that other Saison companies are injecting new capital into Inter-Continental. Perhaps Y100bn (£437m) in total will be invested to reduce borrowings. The hotel building programme will be slowed down over the next two or three years. But he denies that the chain is damaging the finances of the Saison group as a whole. There are no plans to sell hotels to clear debt. "We are long-term commercial investors not financial investors," he says.

Mr Tsutsumi finds it difficult to tear himself away from the group he has headed for more than 30 years. On the day we met, he had attended a meeting of 400 top managers of Seibu Department Stores. He said: "Mr Mizuno [Mr Seiichi Mizuno, president of Seibu] told the managers about his plans for the new [financial] year. I heard his speech. I was just observing. Nobody knew I was there."

Nevertheless, Mr Tsutsumi strongly believes that he must force himself to stay away in order to make space for his future successors. Mr Tsutsumi wants to follow the example of Mr Soichiro Honda, the late founder of Honda Motor, the car manufacturer, who retired at the peak of his powers in the early 1970s.

So Mr Tsutsumi is spending more time in politics. The appointment of his friend Mr Miyazawa as prime minister has created demands, including trying to smooth relations between the government and industry. He is a member of the board of Keidanren, the employers' federation.

Semi-retirement from Saison has given Mr Tsutsumi more time to write, under his pseudonym Takashi Tsuji. He has written more than 20 novels and collections of poems and essays. A book of poems was translated into English and published two years ago under the title, A Stone Monument on a Fine Day.

He argues that Japanese business culture will change to allow other people to make time for themselves: "If Mr Morita had talked 10 years ago about cutting working hours and increasing pay nobody would have listened. Now people are talking about it."

It is hard for companies to cut hours in times of growth because they are busy; while in times of recession, companies are concerned about costs, says Mr Tsutsumi. Nevertheless, employers are beginning to act. Saison Group has this year established a new subsidiary charged with advising group companies on how to improve fringe benefits and welfare for employees.

The worst difficulty is that "there are many Japanese business people who don't know how to use their free time even if they have it", he says. Employers can introduce staff to mountain climbing and skiing and even reading but there is a limit to how much they can do before they are accused of "trying to manage employees' free time".

□ FOREIGN AID AND CHARITIES

Growing awareness

JAPANESE private contributions to Third World charities are on the increase in what is regarded as one sign of the country's growing public awareness of global problems.

Although critics may contend that the response of the Japanese public is long overdue, there are several historical reasons for the reluctance of the individual Japanese to become involved in charitable enterprises abroad.

The Japanese traditionally have relied on the government to solve most social problems outside the individual's own environment.

Although charitable giving is strong in Japan, it is normally confined to those in one's family, company or neighbourhood.

This reflects the Confucian tradition, which promotes reliance on the group.

The Japanese government's role as one of the world's largest aid donors to the developing world has discouraged private aid. The country's foreign aid amounted to $11bn last year.

Buddhist Japan also lacks a strong overseas missionary tradition similar to that of western countries, while its post-war quest to catch up with the west led it to ignore less developed countries.

The refugee crisis of the Indochinese "boat people" in the late 1970s, however, was the first event that pierced the public's post-war isolationalist attitude to the problems of the Third World.

Several Japanese student groups sent volunteers to the refugee camps in Thailand. This activity created the foundation for the growth of non-governmental organisations (NGOs) engaged in international development co-operation.

There are now an estimated 270 Japanese non-profit organisations dealing with Third World issues, although this constitutes only 1.3 per cent of the total number of private foundations in Japan.

Many have been established by former student activists who believe that the government's Official Development Assistance (ODA) programme does not devote enough resources to grass-root development projects.

Critics argue that ODA aid is mainly used to promote industrial projects that will benefit Japanese companies.

A shortage of both funding and volunteers, however, still presents serious problems for the Third World NGOs despite growing public support in recent years.

Although private contributions to Third World charities are approaching Y15bn, a third of that amount is designated for the Japan chapter of Unicef and the Foster Parent Plan.

More than 100 organisations must compete for the rest.

"The average budget of a NGO is quite small, about Y20m," according to Mr Hiroyuki Yumoto, deputy director of the Japanese NGO Centre for International Co-operation, which represents 35 groups in the Tokyo region.

The financing problem has been eased somewhat by the creation, three years ago, of the Voluntary Deposit for International Aid, a postal deposit system to help Third World nations.

Under the system, Japanese can donate 20 per cent of the interest from their postal savings accounts for Third World projects. The Ministry of Posts and Telecommunications (MPT) distributes the money to selected NGOs.

More than 5m Japanese participate in the fund and will give an estimated Y2.4bn this year.

The MPT has become the biggest government financial source for the NGOs, exceeding the small amount of money given by the Foreign Ministry.

Some of the funds are used to attract personnel for NGO projects in the Third World.

"Although we rely on volunteers to carry out much of the administration, we need to find skilled people to operate the programs in the Third World," said Mr Hisashi Shibata, senior programme officer for the Japan International Volunteer Centre.

"They need to be paid because they often have their own families to support," he explains.

"It is growing difficult to find skilled technicians, especially when there is a labour shortage in Japan."

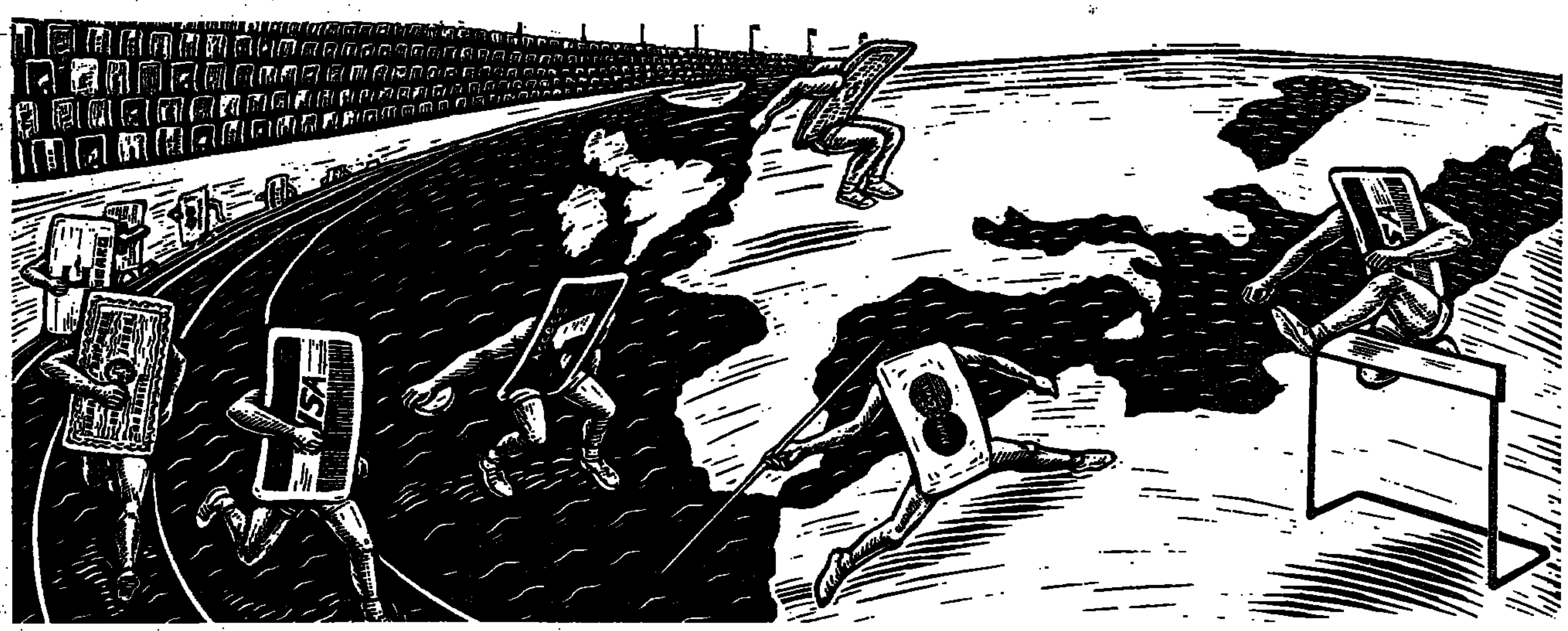
Nevertheless, a spirit of optimism prevails among the Japanese NGOs. "I believe that the country's prosperity is convincing the Japanese that they have a responsibility to areas of the world that are less fortunate," said Mr Yumoto.

"It is my hope that the NGOs have reached the turning point where they find wide acceptance and support in Japan."

John Burton

CREDIT AND CHARGE CARDS

As a new generation of cards supplants old-fashioned credit cards in the UK and US, payment by plastic is spreading to more and more countries. **David Barchard** looks at prospects for the industry against the background of a slowdown in the world economy



Revolution in plastic

THERE MAY be a recession in many countries across the industrial world, but it has done little to hold up the advance of card-based payment systems across the globe.

In countries where payments cards are well established, such as the US and the UK, a new generation of plastic card products, from debit cards to prepayment cards, is supplanting the old-fashioned credit card.

Elsewhere, the plastic card revolution is spreading to countries where cash dispensers and electronic terminals were previously unknown.

This spring Plus, the international inter-bank cash dispenser network, expanded into 12 new countries from Malaysia and the Philippines to Spain and the United Arab Emirates.

In 10 years Plus has grown to the point where it has nearly 200m card holders in 30 countries. It describes its growth as explosive.

Nevertheless the slowdown in the world economy has been bad news for the card world, judged against the rates at which payment card systems expanded in the late 1980s. Visa's worldwide card sales volume of $393bn in 1991 was a relatively modest 16 per cent up and MasterCard grew by only 12.5 per cent during the year to $220.9bn.

Visa's market dominance looks unshakeable for the foreseeable future. Though the gap between Visa (281m cards worldwide) and MasterCard (172m cards worldwide) remains wide, Alex "Pete" Hart, the MasterCard president since 1988, has restored morale and a sense of direction to his organisation. MasterCard now has effective regional structures and it is moving fast to catch up on services such as international cash-machine networks where a few years ago it lagged well behind Visa.

On one market front, the debit card, MasterCard is this year making a bold initiative which, if it succeeds, could place it ahead of Visa.

Several Visa debit cards, such as Barclays Connect in the UK, have been up and running for several years, but Visa's debit card products are hard to distinguish from its credit cards. MasterCard has entered the debit card market much later but is taking a more radical approach to the challenges it poses.

This summer MasterCard rolls out Maestro, its brand name for a world-wide on-line point-of-sale debit card operation. It now has a network of bank cash-machines and retail outlets covering most of the US. In Europe, it will be represented by a sister scheme, EDC, the European Debit Card, set up by Eurocard.

The debit card has already established itself as the dominant payment card product of the 1990s with the numbers of cards issued rising rapidly. It offers the banks an easy way to reduce their processing costs and consumers seem to have accepted it.

Those who do not like the idea of losing a few week's free interest may be mollified with a second generation of debit card products in which payment is made monthly: by 1995 there will be around 90m monthly debit cards in Europe alone.

By contrast, the credit card may be now on the way to becoming a niche product supplying a revolving credit linked to a bank account. Though a few banks and building societies do not charge an annual fee for their credit cards, their number is shrinking rapidly. Consumers in other countries already pay charges, usually much stiffer ones.

They may end up paying much higher charges if some day retailers across the globe revolt against the present fee system and bring down the interchange system under which most of the commission a retailer pays on each credit card transaction by his bank goes to the bank which issued the card.

Even without such an upset in the economics of the credit card industry, some bankers think that the credit card may already be coming to the end of its life as a product. They foresee a shift towards gold cards to serve customers who want to borrow money on their cards.

It is not only the credit card issuers who are feeling the impact of market pressures. Take American Express: to protect its customer base from erosion by Visa and MasterCard, it has to spend heavily on marketing. In spite of this the number of Amex cards worldwide has dropped slightly to 36.1m from 36.7m. Its income was down by 23 per cent in the first quarter of this year to $125m.

Attempts to beat Visa and MasterCard on their own ground by entering the credit card market with the Optima card caused Amex heavy losses over the past few years.

As a result, Amex plans to trim its $9.4bn Travel Related Services budget by just under 11 per cent over three years. It has also sold a $1.1bn stake in First Data Corporation, its processing subsidiary in a public offering.

One way forward for the charge card issuers is to seek co-brandings with an outside partner. Amex recently announced a tie-up with Banco Santander in Spain and says it plans further deals of this sort. Diners' Club, the other main charge card issuer, has found a successful niche by issuing co-branded cards with airlines.

Another response to the changing economics of the card-based payments world is to farm out some of the operations involved to a third party, rather than try to do them all in-house.

This trend has been particularly striking in the processing of credit cards where an outside specialist can take advantage of larger volumes of business to process cards more cheaply than the individuals are able to do for themselves.

Last year, First Data Resources became Europe's largest third-party processor by purchasing Signet, the Southend-based processing plant set up by the Access consortium, for £146m from Lloyds, National Westminster, and Royal Bank of Scotland. FDR, which now processes about 14m card accounts a year, is looking to expand in Europe. There are other competitors bidding for the same market, notably Sligos of France (which also bid for Signet), but FDR has the head start.

In the US, there has been a steady withdrawal by banks from the processing market and also from providing card services directly to retailers. In their place new specialist third-party processors are emerging.

IN THIS SURVEY

Illustration: John Batten

In Europe, CCN Systems, a subsidiary of Great Universal Stores, has set up a joint venture with Asko, Kaufhof, Metro, one of Europe's largest retailing consortiums, to provide European third-party processing services.

Rising operating costs are not the only pressures affecting the economics of the payments card business. One unwelcome item on all card issuers' agenda is fraud. MasterCard International describes fraud as an international moving bush fire, leaping from one country to another.

Global losses on fraud are thought to have passed the $1bn mark in 1991. To combat losses on this scale, it looks as if the banks will have to invest in new technology and strike deals with telecommunications companies all over the world allowing them to handle more transactions on-line.

The fraud challenge has speeded up the adoption of new technology, but much of it will be ineffective unless banks and governments across the world agree on common standards.

Technology is also spawning a host of new payment card products. Ten years ago, prepayment cards were virtually unknown.

Today, about 1bn are used world-wide each year. Applications are spreading from telephones to transport, such as road toll systems.

Mr Peter Harrop, the author of a recent study of pre-payment cards, expects around 1.7bn cards to be used by 1995 and thinks that they will gradually replace coins and low value banknotes in many everyday transactions.

This is good news for suppliers. Bank payment cards are relatively uniform, but pre-payment cards are likely to be much more diverse, not least because it does not matter if one issuer's cards are completely incompatible with those of another.

Indeed it can be a positive virtue, making fraudsters' work hard and obliging a card holder to stick to a particular service.

Even more diverse forms of payment may lie in the distant future. The machines that identify card holders at point of sale terminals may one day fulfil the dreams of some rich North Americans and make cards unnecessary.

By 2020, a generation of super-intelligent terminals may be able to identify customers from their finger print or retinal patterns; check their account status with their bank; and simply ask them to sign for their purchase.

But that is probably a fantasy. Plastic cards are more than just extremely convenient payment instruments. They enable banks to carry their branding deep into the daily lives of their personal customers. Modern retail banking is unthinkable without payment cards and their influence is set to grow further in the years ahead.

UK customers have become more astute about avoiding interest

Future belongs to debit card

LESS THAN a decade ago, the credit card business was one of the most lucrative lines in UK retail banking. Today, the picture has changed completely. In 1992, the credit card operations of the larger banks are fighting to stay in the black. Some UK bankers can even be heard speculating that the credit card is in decline. The future belongs clearly to the debit card.

One symptom of the decline is a fall in the number of credit cards in circulation. In 1990, there were 30m credit cards in the UK, but the figures changed sharply when Lloyds Bank introduced annual charges. Now there are around 26m credit cards, while debit cards have come from nowhere to 20m since 1987.

Why have these changes happened? The recession in the UK economy is part of the explanation. Banks have been hit by shrinking volumes of business and the need to make provisions against bad debts. Customers have become more astute about avoiding interest by paying back on time.

"With no prospect of significant growth in the credit card business for the foreseeable future, everyone's attention is focused on reducing cost, and avoiding fraud and bad debt. We have started ahead of the competition and because of this we are now seeing the benefits flow through ahead of the market," says Mr Gerald Hawkins, general manager at Lloyds Bank.

One side of the card business has proved especially disappointing. In 1989, the Big Four piled eagerly in to merchant acquiring – the provision of card services to retailers – which had previously been handled by Barclaycard for Visa and Access for the MasterCard/Eurocard brands.

Turnover on Switch is now around £4bn a year

Last year the banks lost about £75m on this business and only Lloyds claims to be making a profit.

The losses have revived long-standing tensions between card issuers and retailers. Early this year the banks reversed a policy of offering retailers lower processing charges to win market share and raised their tariffs. The average charge went up from 1.6 per cent to 1.8 per cent of each transaction, provoking cries of protest.

Five large food retailers (Asda, Tesco, Gateways, Sainsburys and Safeway) announced that they would hold out against the banks and establish a Joint Negotiation Committee.

In the US, most banks long ago gave up trying to make money out of merchant acquiring and left the job to specialist companies. So far these have not appeared on the UK scene.

Things could get still worse for the banks if some of the retailers get their way. They are beginning to press for a review of the interchange fee system, the fixed charge which the retailer's bank pays to a credit card holder's bank. Interchange fees generate much of the income banks get from their card operations and they are usually set by the international payment systems, Visa International and MasterCard, and so are not subject to negotiation between a bank and its customer.

In the days when merchant service charges were well above 2 per cent, the existence of the interchange fee did not bother retailers too much. But some large retailers today have negotiated merchant service charges of 1.2 or 1.3 per cent – and most of the payment goes on the interchange fee.

A shake-up of the interchange system is unlikely to come quickly. The interchange fee is an international rather than simply a British way of doing things and politicians (with the exception of Mr Nicholas Ridley when he was at the Department of Trade and Industry) have been reluctant to interfere with it.

If the interchange fee system were to break down, the economics of card issuing would be revolutionised. Card holders and the smaller issuers would be the main losers. Card holders would have to pay more for the card services they receive and almost certainly the large banks would find it easy to undercut the smaller issues.

Small banks are as yet undeterred. They see credit cards as a good way to broaden their customer base. Bank of Cyprus (UK), for example, is using its Visa card to find new customers.

Meanwhile, debit cards continue to grow rapidly. Turnover on Switch, the electronic-only debit card launched in 1988, is now around £4bn a year with around 14m transactions being processed a month.

Mr Tim Green, chief manager of Switch Card Services, forecasts that by the year 2000 there will be 8m debit card transactions a day with about 70 per cent of adults using them.

"We expect debit transaction to overtake credit transactions in 1992 and to exceed cheque volume by 1996," says Mr Richard Reay-Smith, chief executive of Barclaycard.

The expansion of the bank card market has created some serious problems about card branding, especially ways of distinguishing credit and debit cards. None of the solutions on offer so far has been very elegant.

Visa has had to introduce a second branding, called Delta, for its UK debit cards so that retailers who want to take debit cards but not credit cards can do so. In practice, Delta remains something of an ugly duckling among payment card brands. Not all retailers understand it and few consumers seem to do.

There is even greater confusion about brandings on the other side of the fence where until a few years ago there was just one branding, Access. Now Access seems to be fading. MasterCard products abound and staff numbers at the Access branding operation are expected to be cut by as much as half in the near future.

If one of the Access banks dropped the branding, it would probably not survive. Possibly the four banks which own the Access brand will eventually sell it off.

Eurocard, the European affiliate of MasterCard which is prevalent, has never caught on as a branding in the UK, since British banks prefer a global branding.

On the debit card side, the pattern is less easy to predict. The Switch branding dates back only to 1988 and though it was set up by a group of Access/MasterCard banks, it has as yet no international affiliations.

An eventual tie-up with Maestro, the MasterCard debit branding, and the European Debit Card scheme looks likely. Mr Ron Williams, the director of payment services at National Westminster, says he is fairly optimistic about the chances that Switch will join the EDC/Maestro group.

Just how Switch will co-exist with these brands if it does so, is hard to say. Possibly Switch customers will be given the choice of paying an extra fee to be linked to EDC and Maestro. But it is equally conceivable that the branding could start to go the way of Access.

Meanwhile, banks have got the green light from the Bank of England to securitise some of the credit card debt – an operation which is already familiar in North America. Each bond offer will be individually inspected by the Bank. The move will take some of the strain off the banks' card operations. Barclays, the UK's oldest and largest card issuer, looks likely to lead the way yet again.

David Barchard

Security tops the list of technical priorities

Forgers outsmarted

BANKS in Britain lost about £165m through card fraud last year, which explains why security is at the top of their list of priorities for progress in card technology.

However, security has a price. The most secure technology of all, the smart or chip card, still costs significantly more than the humble magnetic stripe (mag stripe) card on which most charge and credit systems are based.

The growth and acceptance of the chip card, however, has been dramatic. It is no longer a novelty pursued by the French (who invented it) for chauvinistic reasons. British Gas intends to use chip cards in place of hard cash in domestic meters; the new mobile telephone networks may use chip cards to add "intelligence" to dumb handsets. Mobile telephones of the future will be inert boxes of electronics until the card is inserted, customising them for individual users. The chip card is undoubtedly the way of the future.

Why is the chip card so secure? Because it is impossible for a criminal to forge, read or write to a chip card without access to sophisticated knowledge and equipment.

There are only a handful of semiconductor manufacturers worldwide with the skills to build a complete microprocessor into the dimensions of a bank card. They include Siemens of Germany, Motorola of the US, Bull of France and Hitachi of Japan.

The amount of processing power and memory which can be crammed on to a single sliver of silicon, however, is increasing each year, making possible a wider range of functions. On-card encryption – coding – of information, for example, adds a new dimension to security but is a heavy burden on the processing unit.

New chips, not yet announced, will have a mathematics co-processor built in, a second microprocessor concerned entirely with the arithmetic processes of encrypting and decrypting information at an acceptable speed.

The fundamental argument in card technology revolves around on-line or off-line working. On-line working means that each time a card is used, a conversation takes place over the telephone lines between the card reader and the card issuer's computer centre to establish that the card is genuine, that it is being used with the correct personal identification number (pin) and that the card has neither been lost, stolen nor used beyond its expiry date (the hot card list). Full details of the transaction are recorded as it is made and if, for example, the transaction limit was exceeded, it would be disallowed. Some argue that on-line is the only secure way.

Off-line working using a magnetically-striped card means that only a few of these checks can be made. There is a limit to the amount of information that can be stored and manipulated on such a card.

Chip cards, however, are able to store very large amounts of data in semiconductor memory, which is making possible another level of card security – photographic identification.

Retail outlets, police and the Home Office all have an interest in the development of cards carrying a photographic image. The Trustee Savings Bank and the Royal Bank of Scotland are carrying out limited trials with cards bearing their bearer's photograph.

There are a range of technologies available for image capture and printing. DataCard Corporation, which claims to be the world's largest manufacturer of plastic transaction cards and related technology, making more than 500m cards a year, has developed a process which makes it possible to print a digitised colour image of the card holder on to the card in a single pass.

The image and the information on the card is protected by a security overlay, which DataCard says is tamper-proof. The system produced high security cards, DataCard says, for situations "in which a physical breach of security could be catastrophic". A weakness, especially where the image is being used to protect a bank card, is that criminal rings may be able to find a member with a fair likeness.

McCorquodale Smart Card Systems (MSCS), which claims to be the UK's only manufacturer of multiple-application smart cards, is working with a small computer company, CEM Systems of Belfast, to pioneer a new kind of visual smart card technology.

Essentially, the image of the subject is captured from a colour photograph or video tape and stored in digital form in the card's memory. A clever data compression technique is used which squeezes the amount of information in the image into a thirtieth of the original space in two seconds.

The image is regenerated using CEM's proprietary card reader which takes only seven seconds to reconstruct a recognisable image of the card holder. Mr Trevor Crotch-Harvey, managing director of MSCS, says that in volume the reader would cost only £500.

One interesting advantage. People change in appearance with time. The MSCS system enables the image to be updated extending the life of the smart card and making the initial investment in the equipment a better proposition.

For the foreseeable future, however, it seems likely that mag stripe cards will have the edge, in the UK, on smart cards. This is because of their familiarity, low cost and the investment in processing hardware and software. There are, for example, some 45m ATM (automated teller machines) cards circulating in the UK at present. The UK banks have more than 14,700 cash dispensers while building societies operate a further 3,200. Cash dispenser cards can be used overseas in 110,00 Visa and 76,000 Mastercard dispensers.

These networks operate efficiently only because of the quality of the software underlying the system. Mr Steve Hilling, director of payment systems for Sema Group, the Anglo/French company which claims to handle 76 per cent of card management services for UK retail groups, argues that card technology has opened competition for the banks.

"To keep their competitive edge, banks will have to sharpen up on monitoring market trends and market positioning. This, together with the advantages of further centralisation of processing to trim overheads, will speed the integration of card management and electronic funds transfer at the point of sale (Eftpos) systems into mainstream banking".

Alan Cane

Asia-Pacific region poised for star performance in the 1990s

Saturation problem looms

THE 1980s were years of expansion for the Asia-Pacific credit card market as ever more vacationers returned home having discovered plastic money as one of the greatest wonders of the western world.

This, combined with rapidly rising affluence and declining social stigma attached to borrowing, should enable the Asia-Pacific region to remain the credit card industry's star performer through the 1990s.

At industry leaders Visa International and MasterCard, the number of cards in the region reached 45.5m and 32m respectively at the end of September 1991, 17.5 per cent of their combined global total, according to European Financial Management and Marketing Association statistics.

Visa's figure increased 500 per cent in the five years through 1991 and is continuing to more than double annually in a number of countries, a company spokesman adds. Meanwhile, total Visa card sales in the 40-nation region jumped 28.7 per cent last year to $37.7bn, more than twice the 1988 level and approaching 10 per cent of worldwide sales.

"The Taiwanese market is about to explode" because of financial deregulation and the expected addition of about 50 new bank issuers, the Visa International spokesman says.

In Japan, which dominates the regional market with about 80 per cent of cardholders, annual growth in total credit cards averaged 16 per cent in the eight years through March 1991, according to the Japan Consumer Credit Industry Association (JCCIA). By 1989, credit card charges amounted to Y23,000bn, or nearly 10 per cent of personal consumption.

Consumer credit firms, bank affiliates and retailers are Japan's leading card issuers. The market share of banks has doubled over the past decade to about 50 per cent of the 180m cards in circulation. All leading firms now offer Visa and MasterCard memberships along with their own name. Visa says Japanese issuers are sending out its cards at a rate of nearly 1,000 per hour. Meanwhile, the consumer credit specialists have held firm, issuing about 20 per cent of new cards, while department stores, petrol and other retailers have lost market share.

Saturation is rapidly becoming a problem, however, with 1.5 cards in circulation for every man, woman and child. The result is not surprising: like Japanese companies in many other industries, credit card issuers are turning from a fixation on market share to improving profitability.

"Our growth averaged about 20 per cent over the past five years since we've made strong efforts to expand, but with cards now widespread it will probably be closer to 10 per cent in the near future," says Mr Shinobu Fukuoka, manager of corporate planning at DC Card, a Mitsubishi Bank group company affiliated to Visa and MasterCard.

"Around the middle of last year the economy and consumer spending began slowing in response to the bursting of the bubble economy, and we're seeing a declining asset effect," he adds. "We'll therefore aim for good customers and increased use per customer. In Japan, the average credit card sale is about Y20,000 versus Y5,000 in the US, so use here can rise significantly."

Mr Steve Norris, general manager marketing in the Asia-Pacific region for Visa International, says: "The slowing in Japan is largely due to a consolidation phase after an incredible increase in the number of cards over the last five years."

Young cardholders are the main focus of marketing efforts at Union Credit, another bank affiliate, according to Mr Mikio Ohkawara. "They lead the market, but we're also trying to get people in their thirties and forties to use their cards more."

Widespread press reports that excessive credit card use was responsible for last year's surge in personal bankruptcies to the highest level since 1984 are accelerating the shift away from expansion at all costs. Still, the problem appears overblown, given that just 24,000 people went under, including individual proprietors and others hit by economic hard times.

Of the total, sour credit card debt was responsible for about 18,000 bankruptcies, estimates Mr Paul Heaton, senior analyst at Smith New Court in Tokyo. "The problem has been put on the consumer credit companies' door, but that's not fair," he says. "Lots of others are issuing credit cards."

At the same time, industry officials concede credit standards have been slack. In their rush to sign up card holders, issuers have required little more than a name, address, income figure and place of work, says DC Card's Mr Fukuoka.

The industry is now rushing to install more point-of-sale credit confirmation terminals. However, the tenfold increase since 1984 to 80,000 units and planned doubling again within three years will cover only a fraction of the retail outlets that accept credit cards. Another initiative involves improving credit reporting. In the past, issuers had access only to so-called black information on credit card defaults. The Credit Information Centre (CIC) for the first time this year also is making available "white" information – loan values outstanding and repayment records among individuals who have not defaulted.

This will enable the CIC's 800 member banks, consumer credit firms and car distributors to obtain outstanding card balances and presumably prevent consumers from taking on debt with one card to pay off another. Next June, the CIC will add data on housing loans and other items.

Many individual issuers also have cut one-time purchase limits significantly to the Y200,000-Y300,000 range, including lower maximums for young cardholders.

Partly in response to US pressure to stoke domestic consumption, Japanese authorities last month granted bank card issuers rights similar to consumer credit firms' to issue revolving credit. DC Card is planning to begin offering such terms from autumn, though "there are some worries about people delaying payment", says Mr Fukuoka.

The Y10bn cost to the industry of setting up computer systems to track revolving balances is another big hurdle, adds Mr Ohkawara.

For issuers, interest rates of 13-14 per cent on revolving credit could nevertheless add a large new source of revenue to the 2-3 per cent commissions charged to shops and 28 per cent for loans via automated cash dispensers.

A big problem is bad publicity, says Mr Norris: "Although revolving credit is a major source of revenue in the US, in Japan so many articles have appeared about young people going beyond their means that I don't think anyone is going to take a hard stand until the educational function is carried out on how to use this service."

At the same time, Japan's frugal ways will die hard, argues industry analyst Mr Heaton: "I don't think it will make a big difference to banks because most people don't want to take on debt. They just want to put off payment until the end of the month," he says. Even the nation's consumer credit firms, among the largest card issuers with rights going back decades to issue instalment credit have found few takers for this option, he notes.

The Ministry of International Trade and Industry's support for revolving credit also seems lukewarm at best, suggesting the movement could take some time to gain momentum, an industry official adds.

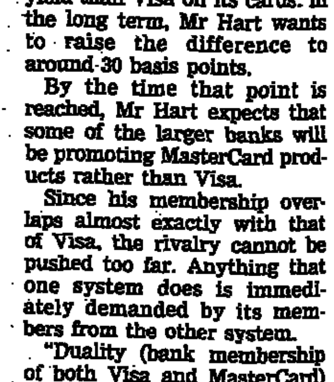
Financial authorities in other Asian nations are also wary of a credit explosion, given savings and consumption patterns in the west. Although the Visa spokesman said the company faces a "generally positive regulatory environment," he cited Singapore's minimum income requirement and South Korea's limits on overseas spending among local constraints on card issuance.

Looking to Japan, the most mature market in the region, issuers are finding that wide card distribution and changing demographics will require them to offer unique services. DC Card is looking into making hospital payments and other services through its card, says Mr Fukuoka.

Neil Weinberg

Profile: ALEX "PETE" HART

MasterCard gets a brighter image



Alex Hart: out of the doldrums

WHEN MR Alex "Pete" Hart, president and chief executive officer of MasterCard, left Harvard he wanted to be a footballer. It turned out, he says, that professional football was a great deal more exacting than playing in Ivy League games.

So the young Mr Hart, born in 1940 and one of five children from Lancaster, Ohio, dropped his original career plans and set about selling lumber for commission.

After six years, a chance meeting with a bank chairman produced a surprise invitation in 1968 to become a banker at BancOhio. Twenty years on, Mr Hart, by then executive vice-president of First Interstate Bancorp, was elected head of MasterCard, the world's second largest plastic card payments system.

At the time he took over MasterCard, there was little secret that it was in the doldrums. Visa International, its West Coast-based rival, dominated the market. MasterCard had suffered a run of senior resignations. Its brand had a lacklustre image and outside the US, MasterCard seemed to have allowed itself to be eclipsed by local partners, especially in Europe where its branding was obscured by those of its affiliates, Access and Eurocard.

Since then Mr Hart has worked hard to put MasterCard on an even keel. He says the main difference between it and Visa is that Visa is more of a glitzy card, and he has no aspirations to offer glitz.

But he has made some significant cosmetic improvements to MasterCard's image. The branding marks on the face of the cards have been brightened up. A new debit card mark, Maestro, is being launched this year after a careful gestation.

It is based on the assumption that debit cards are fundamentally different from credit cards: most consumers will have room for only one debit card in their wallets.

Using Cirrus, the national network of automated teller machines which Mr Hart helped to found, MasterCard's cash machine facilities have been greatly enhanced. The MasterCard/Cirrus cash machine network now includes 77,000 cash machines in 31 countries, still some way behind Visa.

He has also set up a network of regional offices for MasterCard which have given it greater parity with Visa outside the US. Its fastest-growing region is now Latin America. His most delicate diplomatic task has been to manage the relationship between MasterCard and the German and other north European banks which dominate Eurocard.

There is still no sign of the north Europeans (other than the British) abandoning their cherished regional branding, but the working relationship between them and MasterCard has improved during Mr Hart's tenure of office.

Does the international banking system really need two different brands of card payment system offering services which in the last resort are mostly more or less identical? Mr Hart believes that two networks create opportunities for choice and broader market appeal than would otherwise exist.

In the short term, his goal is to reverse two decades of steady loss of market share to Visa. In the 1980s, such a hope would have seemed fairly forlorn. But Mr Hart has evolved a strategy.

It is based on several assumptions. One is that MasterCard must distinguish itself through quality of its services and their profitability.

Another is that MasterCard will displace Visa only if banks find it advantageous to push its products first. MasterCard claims to have a slightly better yield than Visa on its cards: in the long term, Mr Hart wants to raise the difference to around 30 basis points.

By the time that point is reached, Mr Hart expects that some of the larger banks will be promoting MasterCard products rather than Visa.

Since his membership overlaps almost exactly with that of Visa, the rivalry cannot be pushed too far. Anything that one system does is immediately demanded by its members from the other system.

"Duality (bank membership of both Visa and MasterCard) has been something of a curse which has spread across the earth," he told MasterCard members at the organisation's annual conference in Vancouver in April.

However, Mr Hart's third assumption is that with Maestro and the debit card, the era of look-alike matching products in the payment card world is probably drawing to a close.

David Barchard

CREDIT AND CHARGE CARDS 3

EUROPE

Plastic takes over as a common currency

Visa and MasterCard have spotted the growth potential of Europe's travel market

CONTROVERSY may still be raging over the future of the Maastricht Treaty but Europeans are already turning to plastic as their common currency. And with trade barriers and restrictions falling away, they may soon be shopping around from country to country for the best deal.

Certainly, the European Commission is pushing hard for a cheap, quick and reliable payment system to be set up across the borders of Europe. Derek Pearmund, Visa International's executive vice-president for member relations, believes that plastic cards have already established an efficient network enabling cardholders to access money internationally.

Cultural distinctions between national retail financial markets within the EC, however, may prove to be a stumbling block to the advances of the more ambitious card issuers. High telecommunications costs may also be an inhibiting factor, although Barclays' recent deal with BT in the UK to halve the cost of calls may help to set the ball rolling across Europe.

In the longer term, the creation of a single European currency could wipe out the profits generated by foreign exchange transactions.

Mark Sievewright, head of communications at Eurocard International, MasterCard's partner in Europe, warns that the banks may have to rethink some of their income streams. But card users can only make a profit on incoming transactions, asserts Robin Stainer, head of Andersen Consulting's financial services division. "A single common currency will enable companies to consolidate their operations as well as reduce their costs."

It cannot be denied that plastic provides one of the easiest ways to cross frontiers and break into new markets. "It is relatively easy for a bank to do business in another country," says Eurocard's Sievewright. "In the cards business all you have to do is to set up a local language service bureau to sort out queries from cardholders and merchants." Indeed, Barclays Bank and Banco de Santander, one of Spain's leading issuers, have both ventured into Germany's nascent card market with Banco de Santander now the biggest credit card issuer in Germany.

Germany, along with France, Italy and Spain, has contributed greatly to the explosive growth of cards in Europe. Both Visa and MasterCard-Eurocard expect that European card sales volume will overtake that of the US over the next two years. With nearly 62m cardholders and a card volume of $146bn Visa boasts that it has twice the number of cards and twice the volume of its closest European competitor.

But it will face a formidable opponent later this year when Eurocard finally completes its merger with Eurocheque International to form Europay. With a combined total of 75m cards in circulation Mark Sievewright is confident that Europay's range of products cannot be matched. "We may have entered the market later than Visa but we have the right products," he said.

Both Visa and MasterCard-Eurocard have spotted the growth potential offered by Europe's travel and entertainment market. It is estimated that Europeans spent around $200bn on travel and entertaining last year. In spite of its recent troubles, American Express still firmly dominates this sector, but it may soon be faced with even more competition if the Japanese giant JCB goes ahead with its plans to start issuing cards in continental Europe.

Jim Jamison, American Express's vice-president of Travel Management Services, predicts that co-branding relationships will grow. "In general the European market will be made up of fewer, larger players as more and more companies decide to work with partners across Europe." American Express has recently teamed up with Banco de Santander in Spain and has already established a strong partnership with Lloyds Bank in the UK.

The race is also on to unlock the 120m debit cards issued by domestic schemes in national markets which are unaffiliated to either Visa or MasterCard-Eurocard. Italian card issuers CartaSi and Bank of Americard are the first in Europe to sign up with Visa to issue cards with the redesigned Electron electronic debit brand.

MasterCard-Eurocard expects eastern Europe to play a crucial role in the development of its forthcoming Maestro/edc electronic debit programme. Earlier this year Komercni Banka in Czechoslovakia rolled out the first Cirrus on-line ATM network in Eastern Europe which may help kickstart the spread of on-line programmes across Hungary, Poland, the Baltic States and the CIS. "Eastern Europe has the advantage of seeing what went wrong in the West and learning from our mistakes," said Eurocard's Mr Sievewright.

But there are many obstacles to the integration of plastic into societies that have operated on cash for nearly 40 years. There are urgent telecommunication and infrastructure needs, and there will be no mass issuance of cards until currency becomes convertible.

"In terms of domestic markets there are some good opportunities," said Visa's Mr Pearmund but he warns: "They have to be very carefully weighed against cost and risk. It will take a while before any investment is covered." Mr Stainer agrees: "It's a nice thing to talk about but this is a scale business. Volume in eastern Europe is so minute as not to be interesting for serious players."

Kay Fletcher

Managing editor of Card World

Users in the US have become more sophisticated about choosing cards

Competitive pressure rises

THE growing presence of non-banks in the US credit card market has loosened the banks' stranglehold on issues of credit cards and created a new class of credit cards.

Partly as a result of the increased competition, plastic card users have become more sophisticated about which cards they choose and how they use them, increasing the competitive pressure among issuers.

The pressure started in earnest in 1990 when telecommunications group A T & T entered the credit card arena, traditionally the domain of the banks, with its Universal card. Within 10 months the Universal card had developed a portfolio of nearly $2bn and ranked among the 16 biggest credit card companies, essentially carving out a large niche in the market for non-bank cards.

A T & T is now the third biggest issuer of cards in terms of volume, and the Universal card controls close to 13 per cent of the total US market. And Sears is becoming an important player in the credit card business.

To make matters worse for the bank issuers, the rate of growth in the US credit card market as a whole started to slow shortly after the Universal card was launched.

According to The Nilson Report, a California-based newsletter for the card industry, the amount charged to general purpose credit cards rose only 5.9 per cent last year to $374.4bn, compared with an increase of 15.3 per cent between 1989 and 1990.

Perhaps even more damaging, as far as the banks are concerned, has been the surge in consumer demand for lower fees and interest rates triggered in part by A T & T's method of entry into the field.

A T & T initially wooed consumers by offering extremely favourable terms including waiving annual fees entirely for customers who signed up in the first year.

The banks responded by offering so-called "enhancements" to their cards, such as free travel insurance and frequent flier miles.

Banks were less willing at first to tamper with interest rates, which have made the credit card business extremely profitable. Credit card interest rates, which range from 8.5 per cent to 21 per cent with a median rate of about 18 per cent, have remained essentially static at a time when other forms of consumer lending such as car loans and mortgages have dropped to their lowest levels in more than 10 years. The banks claim that the costs of processing credit cards and the high cost of defaults justify the high interest rate charges.

More militant card holders, however, became increasingly vociferous about interest rates late last year and their cause was taken up by Congress, which considered legislation that would put a ceiling on credit card interest rates. The US law makers highlighted the discrepancy between the high rates levied on credit cards compared with other forms of consumer lending at a time when recession had brought down most lending rates.

Although the proposed credit card interest rate cap failed to become a law, the adverse publicity, coupled with increasing competition and consumer pressure, prompted many of the big bank issuers to start cutting their rates, at least for preferred customers.

Citibank, the largest US issuer with about 30m accounts or about $47bn in annual charges, recently started offering lower rates to better customers, charging them about 13.8 per cent compared with the 19.8 per cent Citibank charges its standard card holders. About 9m customers are expected to be eligible for the lower Citibank rates.

In addition, the new Citibank rates will be variable. Citibank now looks at payment history and usage to determine interest rates. Card holders who charge at least $1,000 a year, make timely payments and remain within credit limits will get the lower rates, although they will be subject to increased rates if they show a chronic pattern of transgression.

Similarly, American Express is offering its Optima revolving credit card holders three types of rates, ranging from 12.5 per cent to 18.75 per cent depending on creditworthiness.

Fleet Bank has started letting customers roll existing debt on to its credit card with a 12.5 per cent interest rate, although new purchases on Fleet's cards will be subjected to 17.9 per cent interest charges.

Annual fees may be the next area to come under attack. Although A T & T has officially announced a $20 annual fee for its card, it is still offering to waive first-year fees for some "selective" new customers and bank issuers may be forced to follow suit.

Card issuers generally get about 10 to 15 per cent of their profits from annual fees.

Lower interest rates and selectively waived fees will almost certainly cut into revenues, but issuers hope the impact will be offset by a rise in card-holder spending and lower attrition of existing card holders.

Other new trends include the advent of the secured card, where banks get collateral in the form of a security deposit at the bank for higher risk consumers who have had trouble getting approval for a standard credit card.

In June last year, Citibank launched a secured card pilot programme and it is now expanding the test. Citibank's secured card carries a 19.8 per cent annual rate.

Customers deposit amounts equal to the credit limit, between $300 to $5,000, in the bank in an 18-month certificate of deposit paying 5 per cent interest to secure the credit card.

Fraud is also a growing concern. According to Citibank, credit card fraud cost issuers about $1bn in 1991. In an attempt to combat fraud, Citibank this year introduced a photocard with a colour photo of the card holder bonded into the plastic on the back of the card.

In spite of the growing number of concessions credit card issuers are making to consumer demand, it is unlikely that these will have a significantly detrimental impact on earnings from this lucrative business.

Consumers, however, are likely to continue to benefit in the months to come from the ongoing competition.

Karen Zagor

Plastic fraud cost the UK industry £165m in 1991

Beating the cardsharps

The Home Office favours photographs on cards to combat fraud

ASK ANY UK banker what the main issues in the payments cards industry are and he is certain to list fraud among them. Last year fraud on payment cards cost the banking industry £165m, up from £122m the previous year.

Though the UK has a mature payment card market, its experience is fairly typical. Criminals across the world are waking up to the fact that stealing money with a plastic card is easier and less dangerous than trying to rob a bank by more traditional method.

They have also discovered that because the payment card market is a global one, it is especially vulnerable to fraud. Counterfeiters in Hong Kong can manufacture phoney British credit cards for use in third countries where retailers will have difficulty spotting them.

Visa debit cards stolen from handbags or wallets in London can be smuggled across the Channel in a few hours to be used in retail outlets before they get on to hot card lists.

Two sorts of payment card are especially vulnerable. One is the gold card which has long attracted counterfeiters and collusive retailers. Until recently it was possible for fraudsters to use the gold cards of some banks to draw down quite large amounts of cash on the spot with no questions asked.

The other especially risky category is debit cards. A fraudster can siphon money directly out of a current account with a series of small purchases deliberately pitched below retailers' floor limits. Because the money is coming directly out of his or her current account, the distress to the card-holder is likely to be greater than it is on credit card fraud.

Still, card fraud has to be seen in perspective. The loss of 0.2 per cent of sales on card fraud is still tiny whencompared to other losses by the banks or even to the 2 or 3 per cent of their turnover which retailers find goes on "shrinkage" – a euphemism for theft and breakages.

Since the banks carry the risk of any losses on fraud, naturally they see things differently from the retailers. "We have set up sophisticated authorisations procedures which are expensive to run. It is the retailers who benefit, very considerably, from this service. Is it not reasonable to request that they contribute to the benefits they receive?" asks Mr Tim Green, chief manager of Switch card services.

Two years ago, the banks set up the Plastic Fraud Prevention Forum, chaired by Barclays. One of its main activities is to try and encourage consumers and retailers to be on their guard.

Card issuers now also accept that more transactions will have to be carried out on-line – i.e., with the terminal linked by a telephone call to a central computer. In the US, 85 per cent of card transactions are on-line. In Britain, telecommunications costs are much higher, but the banks are now hopeful that they may soon be able to negotiate a deal with British Telecom.

Early this month, Barclays announced an agreement with BT allowing retailers using its PDQ electronic terminals to make free authorisation calls from September. Barclays will absorb the cost of the calls, at present around 5p each.

Two years ago, Barclays Merchant Services, handled less than half of its transactions electronically. Today, the figure is 78 per cent.

Checking that funds are available and that the card has not been registered as missing or stolen is one side of the battle against fraud. The other is to ensure that the person using the card is actually the one named on the card.

Last winter, Mr Kenneth Baker, the then Home Secretary, held several meetings with the main UK credit card issuers to see how the fraud problem could be tackled. The talks centred mainly on the problem of identifying cardholders. Mr Baker and senior police officers believe that card fraud is closely linked with drug smuggling and that sophisticated gangs of thieves channel the revenue from card fraud to finance drug-dealing operations.

The Home Office particularly favoured the use of photographs on cards, prompting suggestions that in effect it was trying to get the banks to introduce identity cards through the back door.

Mr Baker persuaded the banks to pledge £500m on fighting card fraud over the next three years but he failed to convince them of the virtues of putting photographs on credit cards.

Though two banks, TSB and Royal Bank of Scotland, are now running trials with photocards (and seem to have found them popular with their customers) most bankers believe there is an inherent flaw in putting photographs on cards.

"Photocards means that retailer staff at the point of sale have to make a decision whether or not to go ahead and accept a card. We think it is much better if the procedures automatically make it clear whether or not a card can be accepted," says Mr Jim Parsons at APACS.

As a result British banks are now looking at other ways of establishing that a card is being used by its rightful owner.

Their dilemma is that many of the methods which can be used to make cards more secure may be more expensive to introduce than the fraud which would otherwise take place.

The two front-runners are PIN numbers at the point of sale and dynamic signature verification, storing information on the card about the way a cardholder signs his or her name.

But there are other possibilities ranging from fingerprinting to scanning the cardholder's retina with a laser beam. This method has been used in military establishments for years apparently without problems, but banks seem to think that it will not go down well with the general public.

The advantage of dynamic signature verification is that it is not intrusive and makes little difference for the customer to what happens at the point of sale.

But it has several snags. One is that it probably implies a shift from magnetic stripe to smart cards to store the information on micro-chip and a new generation of terminals to read the chips.

Another is that signature verification technology has not yet reached the point where it always gets things right. Trials suggest that a few bona fide card-holders would get rejected, while some talented forgers would get through.

So the banks could well decide to go for PINs, at point of sale. Some retailers in Europe already use PINs, apparently without problems. Consumers may not love PINs, but if they reduce the losses on card fraud, they will be the ultimate beneficiaries.

David Barchard

Image of store cards still dented by memories of credit surge

Survival seems assured

STORE cards do not, at face value, have much of a future.

Many bad memories of the credit surge of the late 1980s revolve around both the ease with which credit could be obtained from retailers, and its expense. It was easy to build up a heavy bill.

That led to mountainous debts. Store cards – the cards offered by individual retailers, usable in general only in the stores themselves – suffered a dent in reputation as a result, from which survey evidence suggests they have still not fully recovered.

A survey by Credit Card Software International (CCSI) earlier this year found that "high interest rates" was the most common reason, cited by 31 per cent of respondents, given by consumers for not having a store card.

Credit from a store card is certainly expensive compared to the rates on offer from credit cards, which almost always charge less than 30 per cent annual percentage rate (APR).

Store cards vary from 26.6 per cent (Marks & Spencer and Selfridges) to 38.5 per cent (Kingfisher). Other high rates come from Littlewoods and Sears (38.4 per cent) and Dixons (37.6 per cent).

A further complication is the widespread introduction of front-end fees by credit card issuers, who found they were needed to cover losses on accounts which were regularly paid in full.

Card-users with all the big four clearing banks, and with several other leading issuers are now obliged to pay an annual fee, even if they always pay their bills promptly. This move caused outrage among consumer groups, but neatly made it easier for credit card issuers to make a profit.

This avenue towards cutting costs is not open to store cards, which aim in part to foster increased brand loyalty. Customers might regard fees as an unreasonable burden on a product which could only be used in one store, and so fees are "not even on the agenda", according to Ms Elizabeth Stanton of the Retail Credit Group. They could if anything harm the loyalty of regular customers.

A year ago there were several premature obituaries of store cards as an ossified market, unable to compete with more flexible rivals.

A survey found that "high interest rates" was the most common reason given by consumers for not having a store card

However, the retail credit industry ardently denies this, pointing out that the cards are not intended primarily as a vehicle for lending.

Ms Stanton said: "The primary aim of a store card is to increase customer loyalty. An awful lot of people never pay any interest at all on their cards in any case."

On this argument, store cards are simply the application of modern technology to the usual service of offering regular customers an account. Store cards are now the most convenient method of doing this, and so their survival in form should be assured.

The cards' proponents also suggest that the introduction of fees by credit cards might boost the use of store cards. Mr Keith Douglas-Jones, a member of the Finance and Leasing Association, and marketing director of Sears Financial Services, says: "Bank card issuers have seen their traditional revenue streams reduced, and have compensated by introducing fees.

This will lead to a store card renaissance, in those areas where the issuers provide a range of tangible service benefits for their customers.

"Store cards are highly developed loyalty-building marketing tools used by retailers to strengthen the relationships with their best customers. The credit, if required, is just another feature which gives the account its versatility and flexibility."

The CCSI survey seems to support this conclusion. It found that ease of use was cited by 56 per cent of store card holders as a reason for using a card, while 21 per cent used them because of cardholder discounts. Vitally, given the cards' role in fostering brand loyalty, holding a store's card makes a consumer 50 per cent more likely to use that store each week.

But the survey also showed that store cards fall a long way behind other credit instruments.

Only 16 per cent of adults own at least one current store card (5 per cent have two or more), compared with 45 per cent who hold a bank credit card, and 74 per cent who have a current account, which normally will include a cheque card.

And a look at the figures for Marks & Spencer suggests that store cards are regarded by consumers as a competitor to credit cards. Marks & Spencer does not accept any credit or debit cards apart from its own store cards, and the company accounts for one third of all recent purchases using store cards, according to the survey.

Marks & Spencer has also taken a distinctive course in keeping its card operation "in house". This issue divides the industry.

Mr Neil Grant, director of the Finance and Leasing Association, says: "There have been two distinct approaches taken by retailers and there are arguments in favour of both approaches. Those, like Sears and Marks & Spencer, which have maintained their own card operation, feel this is the best way to ensure their store cards are used as an important marketing tool. Others have passed their store cards to finance houses when the financial going got tough."

A year ago it looked as though farming administration out to finance houses would become the norm.

However, the trend has now come to a halt. According to Ms Stanton: "There was a great switch starting two or three years ago but it's now settled down." She said companies which had kept their operations effectively in-house included Sears, Littlewoods, Kingfisher and the John Lewis Partnership.

"The primary aim of a store card is to increase customer loyalty. An awful lot of people never pay any interest at all on their cards"

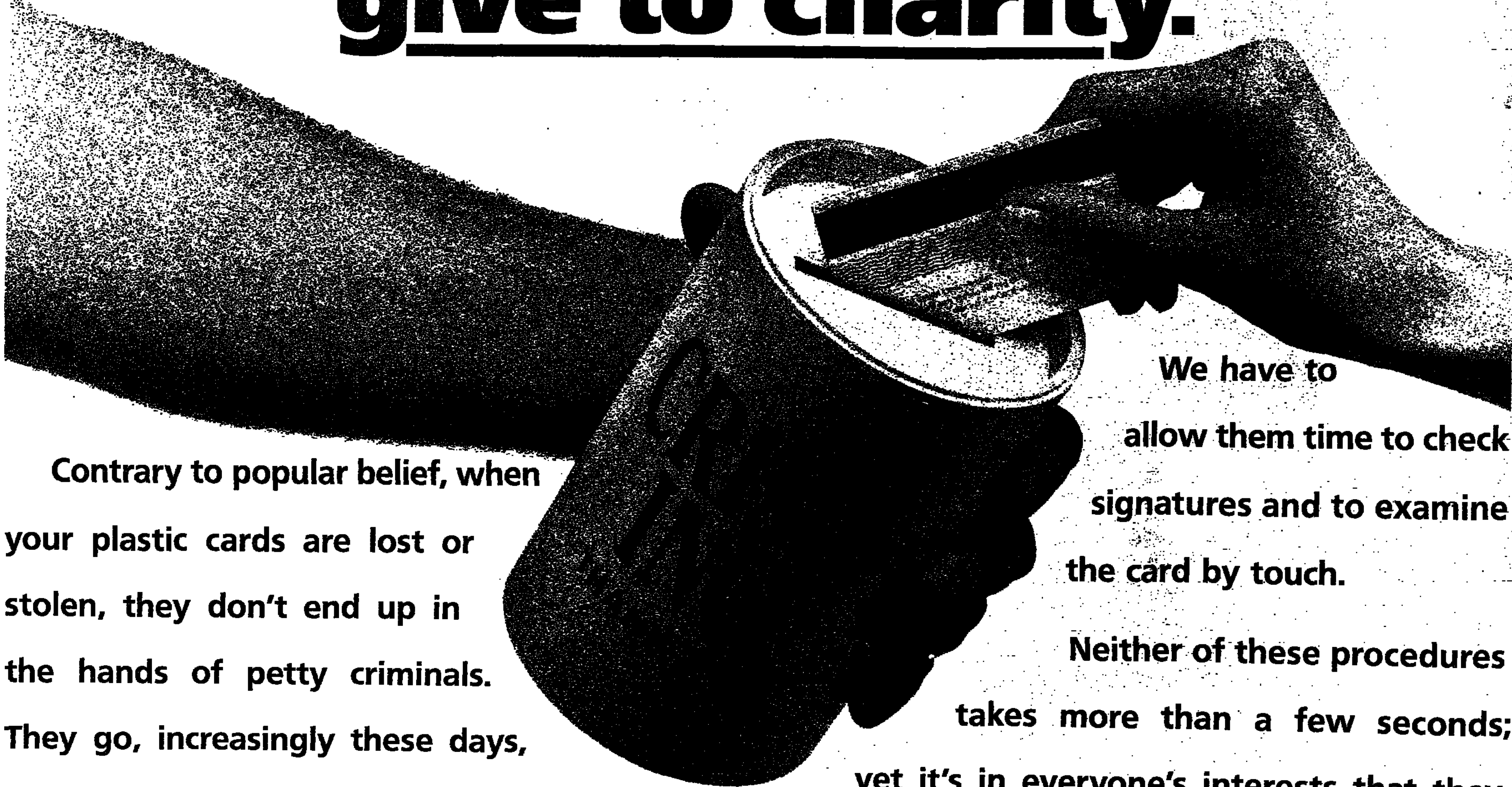
The bigger names which opted to contract out their services included Storehouse, Burton and House of Fraser.

However, fraud has brought co-ordinated action from the industry. The problem – either at the point of application for a card, or by interceptions in the post – is growing, and the industry is addressing it via the Credit Industry Fraud Avoidance Scheme (CIFAS). This pools information by allowing companies to enter details on fraudulent applications with a credit reference agency. The applicant can then be subjected to more rigorous tests.

For the future, "smart cards", which would cut down on the risk of fraud still further since they carry a small amount of intelligence with them, are likely to be the next significant item on the agenda. The possibilities of the new technology for enhancing the cards' use as a tool for brand loyalty are obvious, and are being explored.

John Authers

Each year a lot of perfectly honest people like you give more to organised crime than they give to charity.



Contrary to popular belief, when your plastic cards are lost or stolen, they don't end up in the hands of petty criminals. They go, increasingly these days, to fund the drug and pornography rackets of organised crime.

The problem is growing at an alarming rate. Last year over £160 million was lost due to card fraud – more than was given to Britain's top three charities.

It goes without saying that each of us should look after our cards. But we also need to make it possible for shop and checkout staff, the best line of defence against card fraud, to be more vigilant.

We have to allow them time to check signatures and to examine the card by touch.

Neither of these procedures takes more than a few seconds; yet it's in everyone's interests that they become routine.

Of course there are those who will tell you that card fraud is a victimless crime.

Not true.

With big-time criminals prospering so widely at our expense, it's society itself that is the victim. And that's something none of us can afford.

CARD

APACS Fraud Prevention

It doesn't take much time to check card crime.